



# COOPERATIVE LEAGUE OF THE USA RURAL GROUP BUSINESS PROGRAM EVALUATION

**Presented to  
David Soroko  
USAID/Zambia**

under the Rural and Agricultural Incomes with a Sustainable Environment (RAISE)  
Contract No. PCE-I-00-99-00001-00: Task Order 11

**May 2000**

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by  
**David Neubert and Dhruv Sarda**

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## Executive Summary

The CLUSA project is currently in its fourth year of a five-year life cycle. Since the project began in May 1996 with the signing of the CLUSA/ USAID Cooperative Agreement the project has worked towards achieving the USAID Strategic Objective One (SO1) of “increasing incomes of selected groups”. Over the past four-years CLUSA has made an important contribution to the Mission’s SO1 by organizing, training, and developing marketing channels for selected groups of rural farmers in Zambia. In terms of contribution to SO1, CLUSA should be considered a success.

### CLUSA ZAMBIA - MISSION STATEMENT

Improve income of farmers through development of Rural Group Businesses that are:

- Democratically Self-Managed
- Financially Viable
- Sustainable

A second benefit that CLUSA has brought to Zambia is the development of a program with strong linkages to small farmers, other donor funded programs and the private sector. This relationship has benefited all the implementing partners and has developed a synergy that in the long term will help improve CLUSA’s sustainability potential. These partners include the World Bank / SIDA funded Conservation Farming Unit and the

privately owned firm Credit Management Services of Kabwe, Zambia. In addition to these partners CLUSA has forage links to other private agribusiness firms in the grain trading, paprika and high value horticultural sector. This linkage has provided CLUSA’s rural group businesses opportunities to sell into markets never before available to them. Along with this new market access, it has allowed farmers to realize greater profits while providing the agribusiness sector with the raw material they require to grow their businesses.

Food security (hunger) is an important issue facing most rural farmers in Zambia. Before farmers can think about producing a cash crop they must have a certain level of food security. In approaching this issue, CLUSA has implemented programs that address hunger along with training in and production of cash crops. In Mumbwa, one CLUSA-RGB member told the evaluation team the following; “*since we have started to work with CLUSA we no longer fear hunger*”. CLUSA has achieved this in a large extent through its partnership with the Conservation Farming Unit. This collaboration has resulted in an estimated doubling of maize yields for CLUSA –RGB members. Feeling more secure about their food supply, farmers can now begin to learn how to produce cash crops and enter the market economy.

There are parts of CLUSA that need to be improved. The CMS crop-credit program needs considerable attention. In the 1988/99 crop year their average loan recovery rate was 60%. USAID has invested about 900,000 USD in the capitalization and operation of CMS’s small farmer credit fund and at these loss rates these funds are at risk. CLUSA and CMS are predicting an improvement in 1999/00 agri-loan recovery rates. By September 2000 CMS will know if the recovery rate has indeed improved.

## ACRONYMS

<b>CF</b>	Conservation farming
<b>CFU</b>	Conservation Farming Unit
<b>CLUSA</b>	Cooperative League of the USA (implementing agency of RGBP)
<b>CMS</b>	Credit Management Services (a private lending institution used by the RGBP)
<b>MAFF</b>	Ministry of Agriculture Food and Fisheries
<b>M&amp;E</b>	Monitoring and Evaluation
<b>NCBA</b>	National Cooperative Business Association (CLUSA's US based parent organization)
<b>RNE</b>	Royal Norwegian Embassy
<b>NORAD</b>	Norwegian Agency for Development
<b>RGB</b>	Rural Group Business
<b>SIDA</b>	Swedish International Development Agency
<b>USAID</b>	United States Agency for International Development
<b>USD</b>	US Dollars

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## **CLUSA ZAMBIA PROGRAM EVALUATION**

### **1.0 Objective**

The primary objective of this report is to determine whether the CLUSA project is achieving the target deliverables as set out in the Cooperative Agreement, as well as to determine if the project is contributing to USAID Zambia's Strategic Objectives.

A second level objective is to generate ideas as to how the project impact can be improved and thus yield a greater return on USAID's investment.

A third objective is to identify lessons learned during the implementation of the CLUSA project and apply this knowledge to future project planning and to future USAID investment planning in general.

### **2.0 Methodology**

The evaluation took place over the five week period between 2 April 2000 and 9 May 2000. The total evaluation team consisted of three technical specialists in the areas of agronomy, agribusiness and wildlife management. In the last two weeks of the assignment, a fourth consultant/ graphics specialist was brought in to assist in final document preparation. The three project evaluations that were prepared concurrently included the CARE Livingstone Food Security Project (CARE/LFSP); the Wildlife Conservation Society's Administration Management Design Project (WCS/ADMAD) and the Cooperative League of the USA, Rural Group Business Program (CLUSA/RGBP). One technical specialist was assigned to evaluate each project. In the CLUSA case, the agribusiness specialist was assigned full evaluation responsibility.

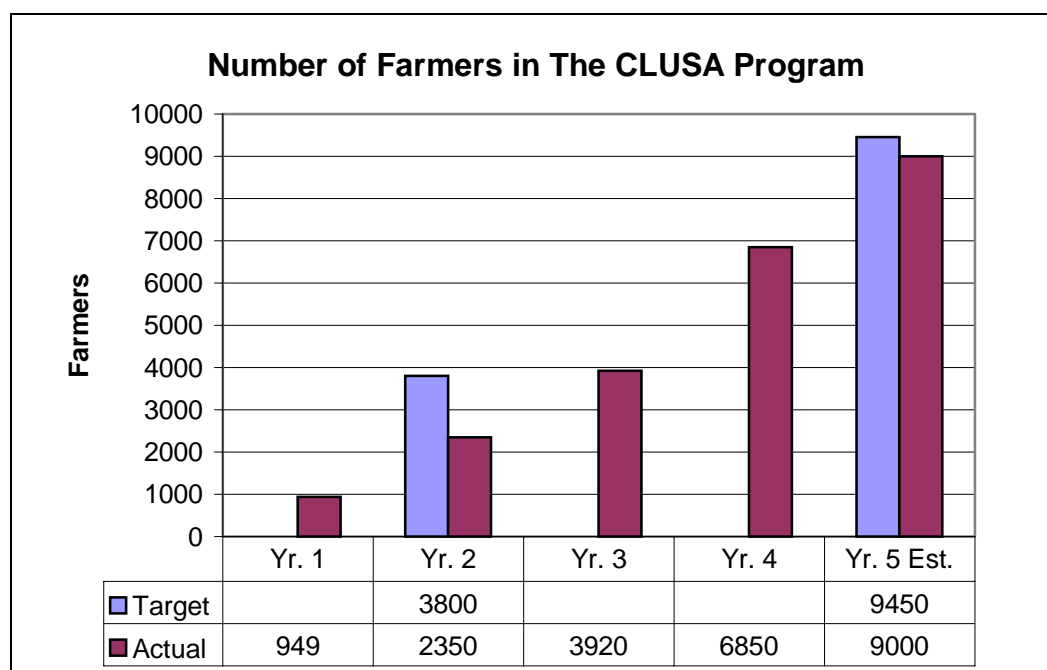
A preliminary analysis of relevant documents along with general administration activity began in Lusaka in early April 2000. Following a week in Lusaka, meeting with project staff and related organizations, the team went into the field. In the field, numerous meetings were held with project clients and local CLUSA staff. After the field interviews were completed in all four districts where CLUSA was operating, the consultant returned to Lusaka and continued to interview staff from institutions and organizations that interact with the CLUSA project. A rough draft of the CLUSA project evaluation was presented to USAID and project stakeholders in late April. Following this presentation, USAID submitted comments to be taken into consideration during the preparation of the final evaluation report which was completed in early May 2000.

The evaluation team would like to express their thanks to the many Rural Group Businesses, CLUSA staff, CFU, CMS, private firms, government employees and donors for providing the team with the many insights and observations used throughout the organization of this document. Without their assistance, preparation of this report would have been greatly impeded.

### 3.0 Background

The objective of the CLUSA project in Zambia is consistent with USAID's SO1, to increase the incomes of rural farmers. The project's Cooperative Agreement was signed 1 May 1996, late in Zambia's agricultural production season. Given the timing of the project start-up, the first six months of the project's life cycle focused on organizing the Lusaka office, field operation as well as identifying and training the client base.

The CLUSA project relies on the Rural Group Business (RGB) concept and group responsibility. The activity is organized by first developing a number of RGB's (usually consisting of 10-15 members). The RGB's then form larger group associations around a depot. The depot is the contact point through which crop inputs are delivered, credit is accessed, crops are consolidated and marketed and records are kept. CLUSA stresses democratic management and transparency at all levels of the organization. It also stresses ongoing education and provides training (often through its partner organizations) in the areas of agri-extension, business concepts, accounting and group business leadership (as well as other areas). One other key concern that CLUSA is based on is the idea of group responsibility. In a practical sense, this concept comes into play at the credit management level. When a RGB takes a loan from a credit provider, the members guarantee or insure each other against default.



**Figure 1,** Source: CLUSA Mgt. and USAID/ NCBA Cooperative Agreement

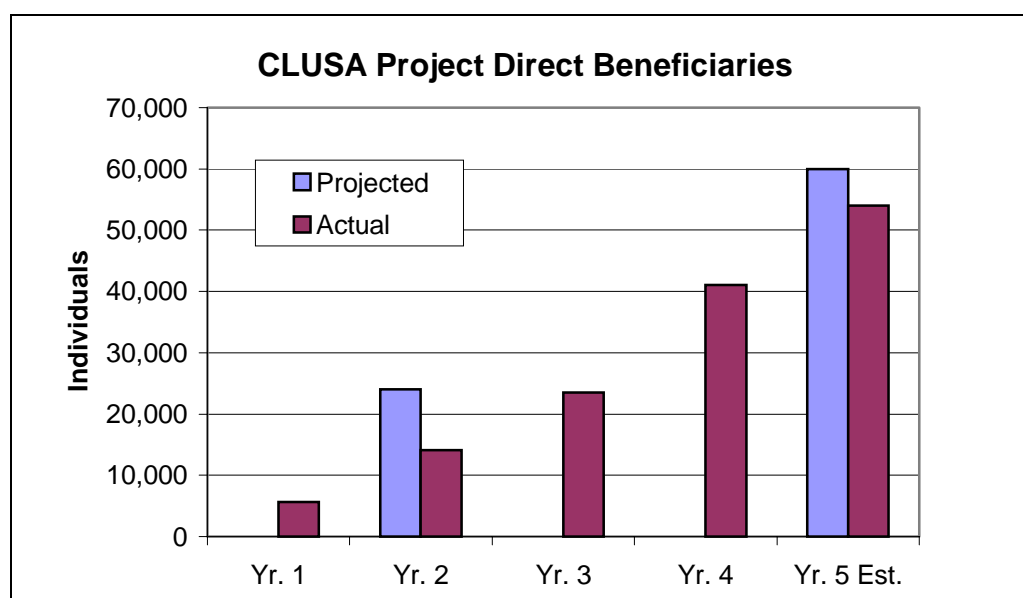
In Zambia, CLUSA is closely linked to two other organizations, Credit Management Services (CMS) and the Conservation Farming Unit (CFU). Together these partners form a powerful implementation triad, which has become an effective conduit to deliver production knowledge, inputs, credit and market access to rural farmers. This



linkage and the health of its partners are critical to the long-term success of the CLUSA project.

The strategy that CLUSA employs has proven to work well in a number of African countries. NCBA has implemented CLUSA projects in Mali and other West African nations with great success due to the local village social and political structure. In the West African model, village populations are closely linked to an overriding social structure that encourages members to work together for the greater good and has a low tolerance to members that do not live up to their responsibilities.

In the Zambian context, these overriding social forces are weak or in some cases completely lacking. This makes implementation of the CLUSA model very challenging in Zambia but certainly not impossible from the long-term sustainability standpoint.



**Figure 2**, Source: CLUSA Mgt. and USAID/ NCBA Cooperative Agreement

Figure 1 examines the number of farmers that CLUSA has worked with as RGB members vs. the number of farmers that the Cooperative Agreement identified as targets. As can be noted, the project fell about 40% short in reaching its year two target but is forecasting to reach 95% of its year five target. One of the reasons CLUSA under performed in this area may be the fact that the activity was designed using assumptions from the CLUSA West-African experience. In West Africa, CLUSA found that a small number of large groups was an effective organizational model. In Zambia, the best model seems to be a large number of small groups.

Figure 2 reviews the number of direct beneficiaries impacted by the project. As most of this group is made up of family members, the outcome of this target is directly related to the number of farmers working with CLUSA as shown in Figure 1. Proportionally, the shortfalls in Figure 2 are similar to those seen in Figure 1.

In the opinion of the evaluation team, CLUSA has made good progress in achieving these targets. The original deliverables (as outlined in the Cooperative Agreement) were on the optimistic side, given what CLUSA now knows. The evaluation team also feels that the project will realize 95% of its target in year five by working with 8,945 farmers (the target as set out in the Cooperative Agreement was 9,450 farmers). Much of the growth in new RGB membership will be in the districts of Mkushi and Choma. Even with this slightly lower forecasted figure, the project should be viewed as successful in these areas.

### Selection of Project Locations

**Methods in Identifying Project Location:** The original project design documents identified Mumbwa and Mazabuka as starting geographies for the project. In part the decision to start work in these areas was based on several factors including; proximity to Lusaka, logistics, the areas have different rainfall patterns and thus allow for the production of different crops. There are different cultural and language groups in these areas (Mazabuka being mainly Tonga and Mumbwa being a mixture of cultural and language groups) and this factor was taken into consideration at the time of the startup.

### Projected and Actual Deliverables

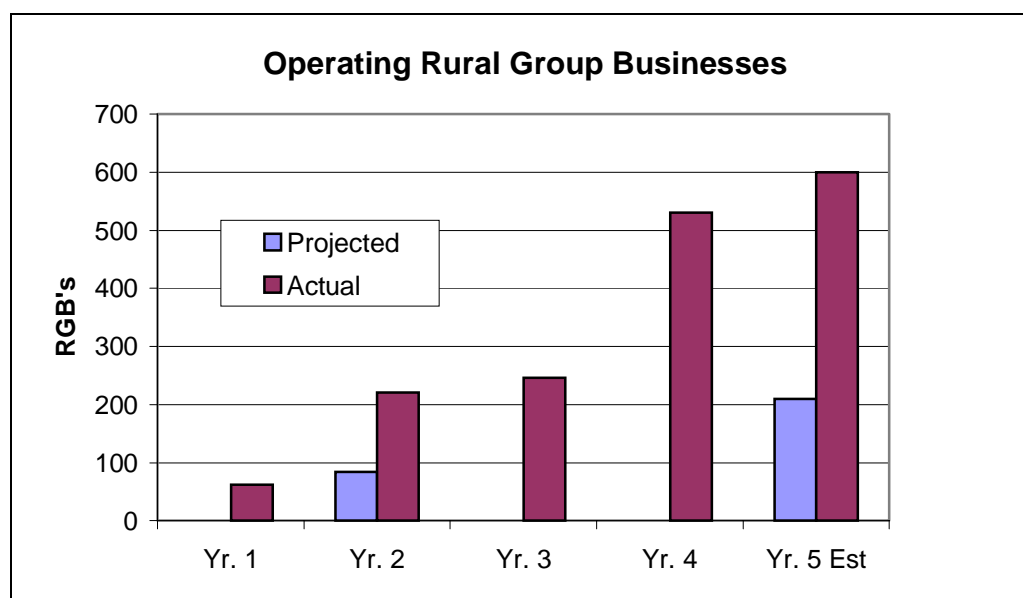


Figure 3, Source: CLUSA Mgt. and USAID/ NCBA Cooperative Agreement

Figure 3 shows the number of RGB's formed to date by project farmers. As can be noted in year two, the project posted an actual number of RGB's formed 25% greater than what CLUSA had set as a target. In year five, the project is forecasting an actual number of RGB's formed within 95% of the target deliverables.

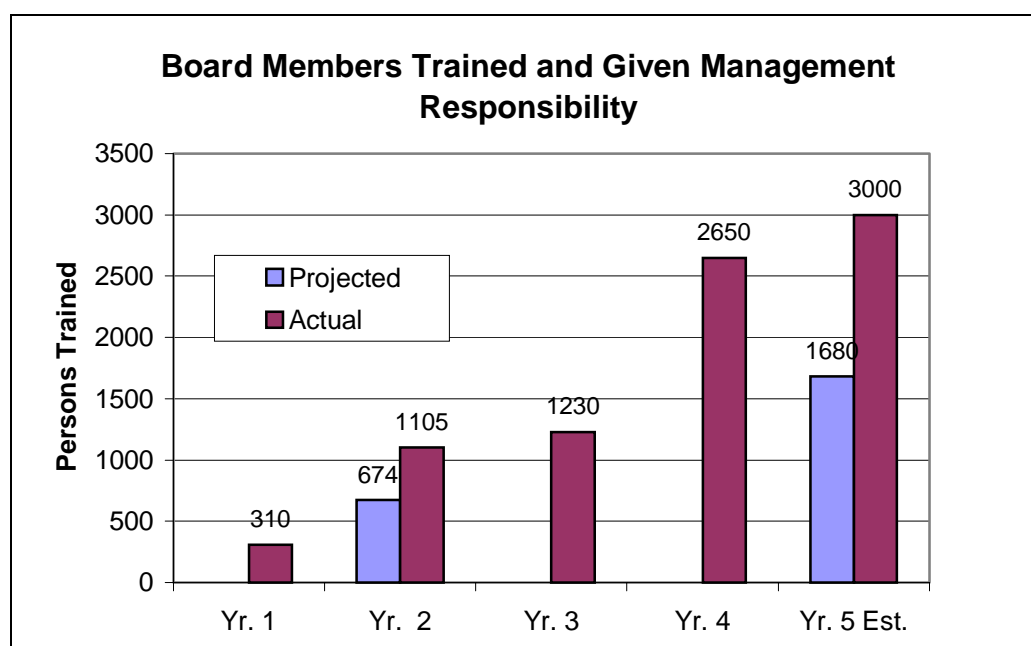


Figure 4, Source: CLUSA Mgt. and USAID/ NCBA Cooperative Agreement

#### Catalysts That Help Make CLUSA Effective: Training and Timely Deliveries of Inputs

When farmers were asked why CLUSA has worked when other programs such as the fertilizer credit program have failed to provide them with greater food security and income, the answer was consistently (paraphrased):

*“In the old co-op and input programs, inputs were given to the farmers but no explanation was given on how to use them, they were just dropped off at the village. CLUSA gives us training so now we know how to better use the inputs we have and how to organize ourselves”.*

Another common comment by CLUSA farmers was:

*“In all the other programs, inputs were delivered too late in the season to do us any good. CLUSA always delivers inputs on time and this makes it different (good)”.*

In West Africa, CLUSA projects usually have a structure that is based on a smaller number of larger groups. In Zambia, the model has developed using a larger number of small groups. The fact that in the Zambian context smaller groups seem to work better (from the group responsibility standpoint) than larger groups, has lead CLUSA into its current strategy of “a large number of smaller groups”.

Figure 4 examines the number of persons trained in the areas of group leadership and management. In these areas, CLUSA Zambia has excelled. They have trained over 160% of the number of people that were targeted in the Cooperative Agreement. In project year 5 they are likely to reach their forecasted goal of training over 180% of persons targeted.

The ongoing training farmers receive from CLUSA is a very effective tool in reaching the SO1. The demand for training by the farmers is very high. In field interviews with RGB members, training was always sited as one of the key benefits that farmers

receive from CLUSA. To date the project has trained 12,350 farmers in basic business concepts and democratic business decisions. In year two they did fall short of their target of training 2,100 persons in basic business. Rather than achieving the 3,500 persons trained targeted in that year, this was 2100 or 60% of target. In the area of accounting, the project has done better, reaching 94% of their projected target, 475 persons trained in project year two. In general, the trend in the number of people trained by the project looks good. They are over target in some areas and under in a few others, but all in all, the project can be considered successful in this area.

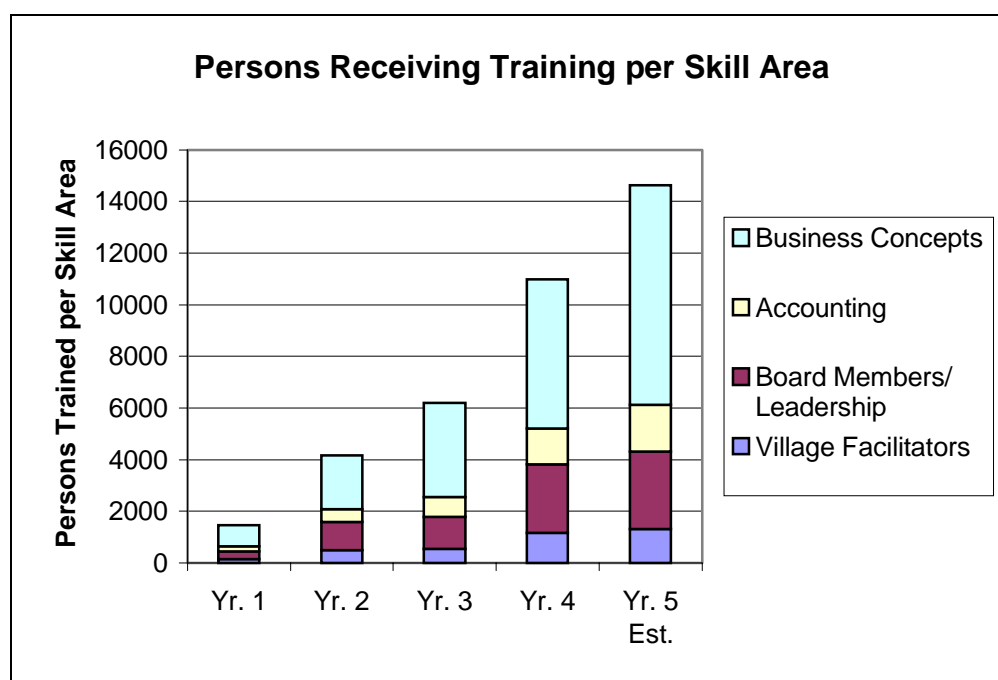


Figure 5, Source: CLUSA Zambia

Strategic Objective	
SO1	Increase Rural Incomes of Selected Groups
IR 1.1	Increase sustainable agriculture and natural resources production
IR 1.1.1	Improve low rainfall production
IR 1.1.2	Improved factor productivity on farms
IR 1.1.3	Identify natural resource commodities
IR.1.1.4	Identify and test sustainable agriculture and natural resource management practices

Figure 5 reveals the total number of persons trained under the CLUSA project to date and makes projections as to the number of persons that will receive training in year five of the activity.

#### Program Contribution to USAID Strategic Objectives

**Project Objectives and SO1:** The objectives of the CLUSA Project and SO1 are focused on the same goal,

that of increasing rural incomes. CLUSA is focused on this task by targeting rural farmers and thereby increasing rural household income.

The project also meets many of USAID's country strategy Intermediate Results (IR.). By improving low rainfall agriculture through CLUSA's work with the Conservation

Farming Unit, improving productivity through the timely delivery of inputs and creating an improved sustainable agricultural system through its partners (CMS and CFU), CLUSA is delivering USAID strategic objectives to its target client group - rural farmers.

### Food Security (Hunger) is the Key issue for Rural Families

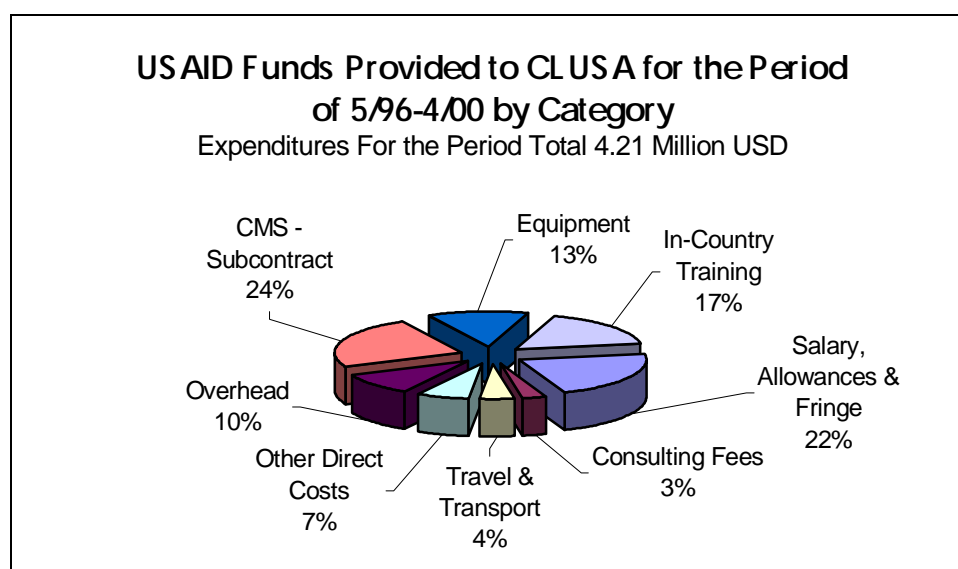
In the course of the CLUSA Project evaluation, the team asked all the RGB's they met how they had benefited from the CLUSA activity. Without fail the first answer to this question was always, (paraphrased):

*Since we started working with CLUSA we do not fear that our families will go hungry from a poor harvest. Since CLUSA has come, we have learned how to produce the food we need to live.*

This statement was consistently heard before any farmer group talked about income generation or other CLUSA benefits.

**CLUSA's Impact on SO1:** The CLUSA project is contributing towards SO1 in several important ways. To the rural farmer, CLUSA's primary benefit is often seen in terms of food security. By helping selected groups within the rural population have more security in terms of their food supply, CLUSA is allowing these families to spend less of their limited cash on food and allowing them to be greater economic risk takers (entrepreneurial). Over time, as the number of entrepreneurs and the amount of financial capital in these rural areas grows, incomes will increase, thereby meeting the objectives of SO1. This pattern is already occurring at a rapid rate among farmers in Mumbwa and CLUSA project locations.

## Program Funding and Expenditure



**Figure 6,** Source: CLUSA

As can be noted in Figure 6, the CMS credit activity has been the single largest line item group in the CLUSA project budget. Figure 6 shows expenditures from CLUSA start-up through April 2000

Figure 7 shows the projected funding of the project by USAID over the five-year life cycle as outlined in the Cooperative Agreement. As can be noted, spending was below projected levels in the first three years of the activity, but in year four it increased to 140% of budget.

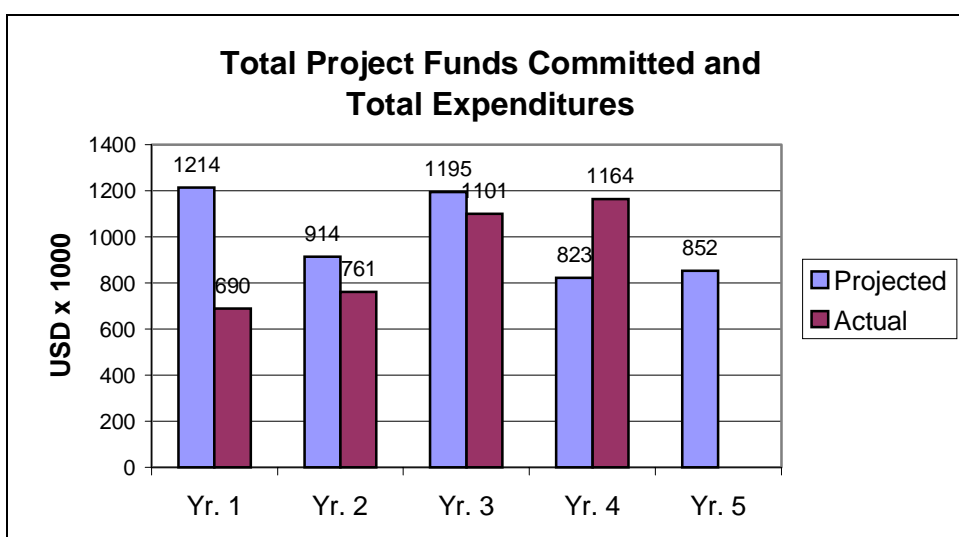


Figure 7, Source: CLUSA Zambia Mgt.

The main reason for this large increase in spending was the addition of one expatriate staff member to the Lusaka office and the hiring of additional field staff. These changes were put in place when the project added credit and marketing to its already existing extension and training activities.

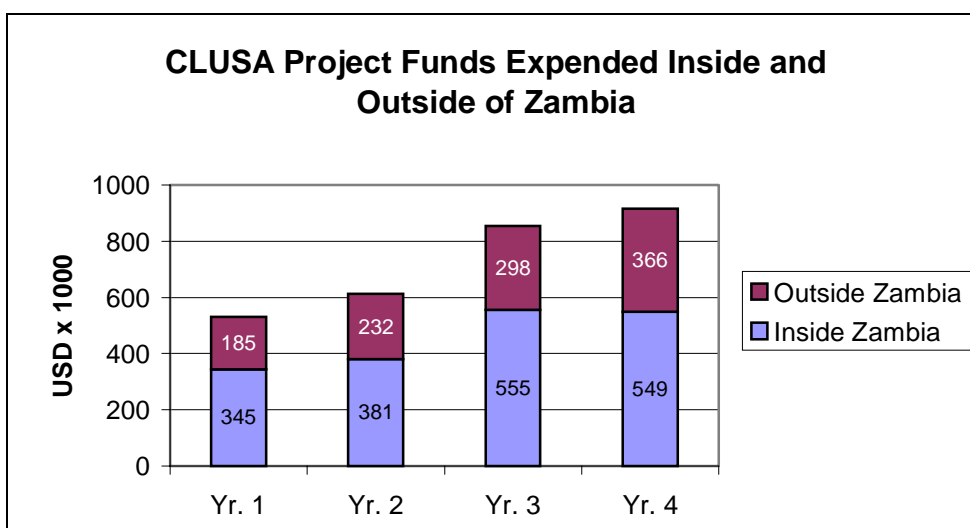
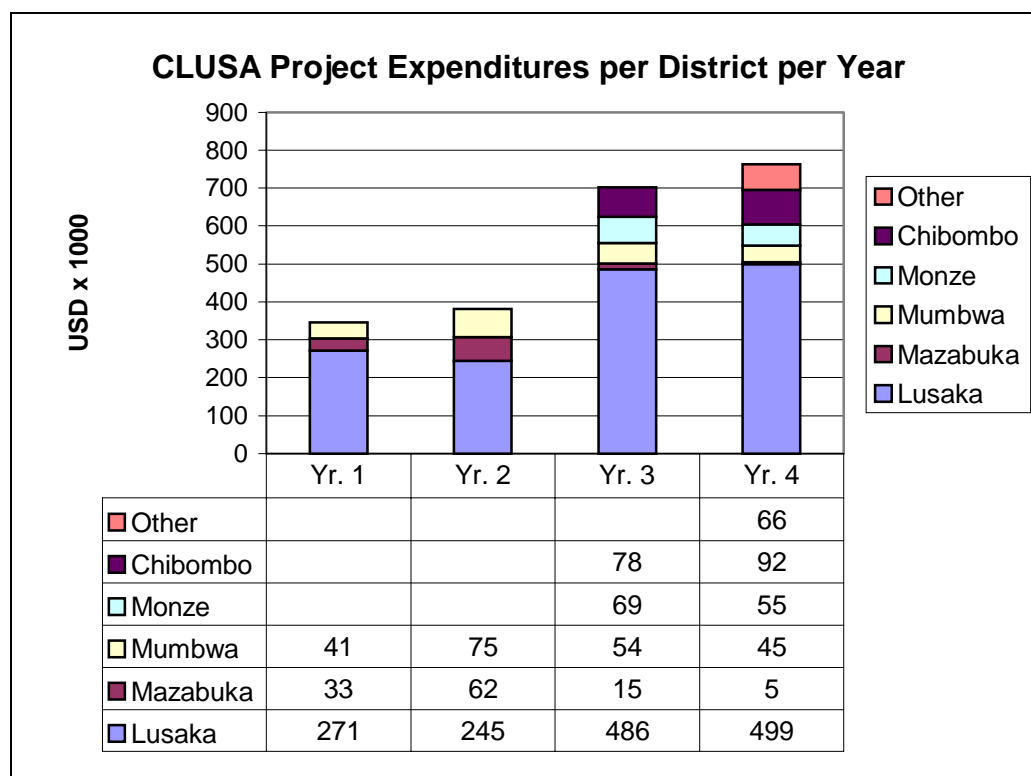


Figure 8, Source: CLUSA Zambia Mgt.

Figure 8 shows a trend of increasing spending for the project, both inside and outside Zambia. Spending grew 42% between Year 1 and Year 4.

**Geographic Distribution of Project Spending:** Figure 9 examines the historical spending pattern of the project per district per year. It can be noted that spending in Mazabuka has fallen from its high in project year two of 62,000 USD to just 5,000 USD in project year four. This cutback was mainly due to the low loan recovery rate in that district and the subsequent downsizing of activities there.



**Figure 9,** Source: CLUSA Zambia Mgt.

**Lozi/ Luyana Proverb**

*Ngombe mukutwaleta inywa meyi makena*

**Translation:** The first cow drinks clean water

**Meaning:** A person who begins something e.g. a kind of business usually succeeds

CLUSA started to enter new geographies (Choma and Mkushi) in project year four. This is noted in Figure 9 as “Other”. Currently, the expansion into Choma is managed through the Monze district office and the expansion into Mkushi is handled through the Chibombo district.

The evaluation team found it difficult at times to get budget figures as well as project data to reconcile when cross-checked with a second data stream. This has led to some confusion in the

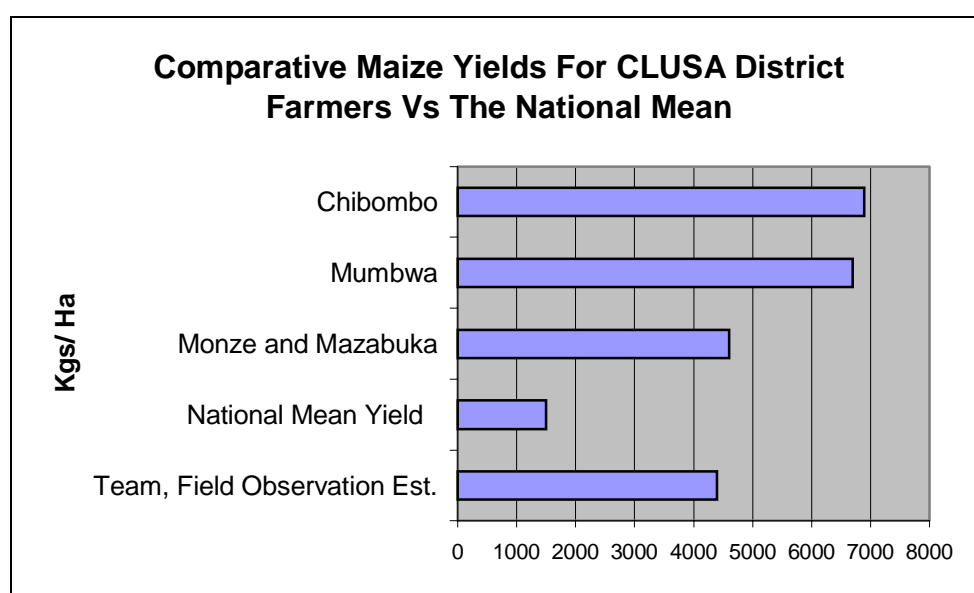
analysis of the project and has increased the time required to wade through the data and try to build a realistic picture of where the project stands in cost and performance terms. Talking to the COP could clear up many of the points of confusion. The concern the evaluation team has is that the COP will be leaving the project in the near future and much of the information of this complex activity, is in his head and not clearly documented on paper or disk.

It is recommended that the project set up a system of regular data collection and distribution soon. This task can be assigned to a local staff person in the Lusaka office. To start this program, the project should bring in an experienced home office staff or consultant to design the data collection system and setup guidelines for its analysis and distribution of information. The expatriate consultant should come back every six months to fine tune the process and confirm the system is operating as planned. Without this kind of documentation, it is more difficult for the project management to objectively evaluate the activities on an ongoing basis.

## Project Implementation

**Structures and Methods of Project Implementation: CLUSA/CFU/CMS:** When designed and in the first two years of implementation CLUSA focused on the following key activities:

- Developing the organization structure through which the project could be implemented, in particular RGB's
- Adapting and introducing CLUSA's training and technology package to the Zambian environment
- Developing entrepreneurial skills of RGB members, managers and employees
- Assisting demand driven profitable economic activity that responds to the needs of members
- Transferring literacy, numerical, operations and management skills to RGB members
- Linking RGB's to commercial credit facilities



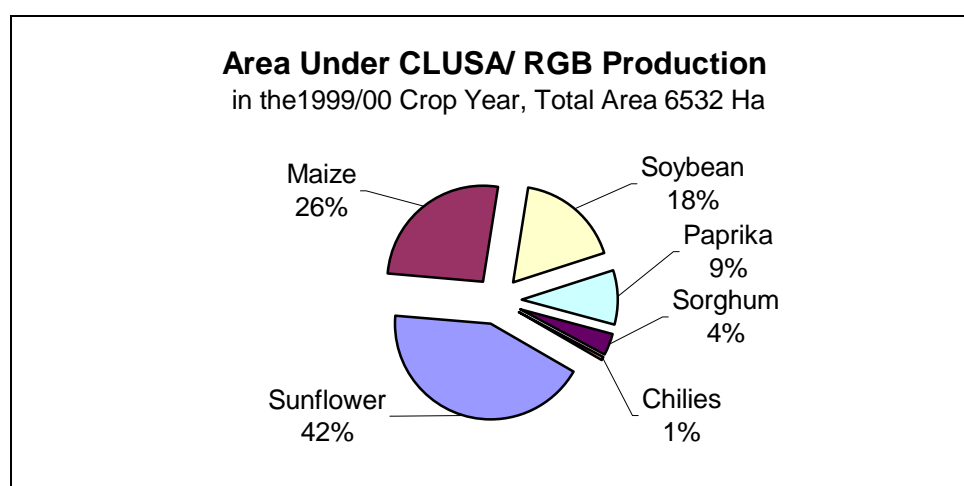
**Figure 10**, Source: CLUSA Zambia (District yield data generated from small sample size)

Soon after the project started up, management realized that the weak link in the proposed program was access to credit. In its first two years of operations, CLUSA facilitated the barter of fertilizer for crops with the Omnia Company, a well-



established fertilizer distribution and sales firm based in South Africa. However the barter deal with Omnia was not having the level of impact that CLUSA wanted. In an effort to get the credit farmers needed into the villages, CLUSA began working with CMS following the signing of the subcontract for services in August 1997. Before the start of the 1998/99 crop year USAID provided 200,000 USD in capital to CMS's loan fund. This fund was setup to provide credit to small farmers. Over the next three years, USAID provided over 900,000 USD to the fund (in total). With these funds now available the RGB's worked with CLUSA to purchase and transport inputs to the farmers.

A second organization that CLUSA works with is the Conservation Farming Unit (CFU). SIDA and the Royal Norwegian Embassy (RNE) jointly fund the CFU with additional funds coming from MAFF. There is some concern that MAFF will not make a contribution to CFU in 2000 and the operating fund will run short. To address this problem the CFU has proposed to the evaluation team that USAID provide it with 200,000 USD in 2000 to make up for the budget short fall by MAFF's default on contributions.



**Figure 11**, Source: CLUSA Zambia

The CFU devotes about 40% of its resources in supporting CLUSA. The CFU/CLUSA relationship has been one of the primary reasons for CLUSA success to date. Although CFU has been instrumental in providing and demonstrating the technology, the bulk of the CF extension training has been done within RGB's. Figure 10 (data provided by CLUSA) shows some sample yield data collected in the four districts where CLUSA works and compares these yields to the national average. CLUSA pointed out when they provided the evaluation team this data that the sample size was small but they felt the data was a good example of how effective the CFU/CLUSA relationship has been at delivering important benefits to farmers.

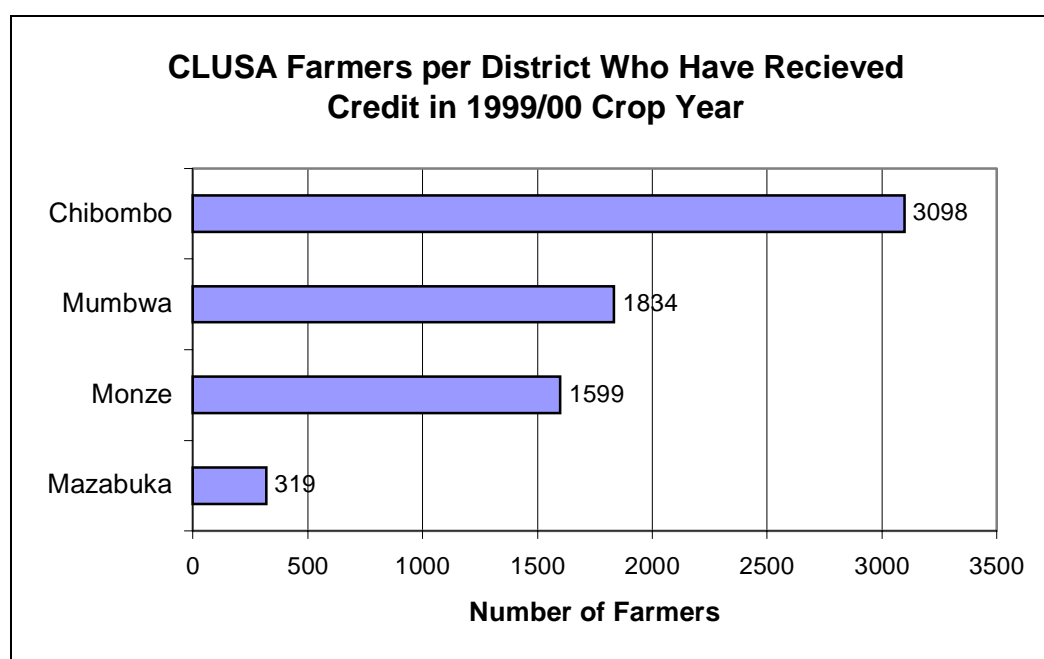
In observations of mature maize fields the evaluation team concluded that the CFU research, demonstration and extension program together with CLUSA has been responsible for a 100% increase in unit area yields among RGB farmers. This is a

very significant increase and has produced a powerful impact in both income generation and food security among CLUSA RGB members. Based on these findings and the critical role the CFU plays in the success of the CLUSA project, the evaluation team fully supports the concept of USAID contributing to ongoing CFU funding.

Figure 11 shows the 1999/00 season crop mix for RGB members. Farmers are required to grow two cash crops, selected from a list of sunflower, soybean, paprika sorghum and chilies. Maize is considered the primary food security crop and is in high demand by farmers in the CLUSA program. During field visits the evaluation team often heard farmers request that they be allowed to grow a higher proportion of maize as part of the CLUSA input package.

Paprika plays a key role in the CLUSA/CMS loan recovery strategy. Although paprika made up a small percentage of the area planted in 1998/99, it is estimated that it was responsible for generating over 50% of RGB profits. In the future it will be important for CLUSA and CMS to identify and organize the production and marketing of other high value cash crops as a way of reducing loan default.

### Identification of Client Beneficiaries



**Figure 12**, Source: CLUSA Zambia

**Who Benefits From CLUSA Activities:** There are two broad groups of primary beneficiaries to the CLUSA project. The first group is made up of farmers, their family members and other persons associated with them including persons living in the same or nearby villages. Non-member benefits from RGB activities include the selling of input (purchased by the RGB on credit) to local non-member farmers as

well as the purchasing of crops by depots and RGB's from non-member farmers and selling these crops through CLUSA developed market/logistical channels.

#### Vision and Motivation

*"We will repay our loans because we have a vision. We want a car (as he points to the vehicle parked near the group) and we want a metal roof on our grain store".*

RGB member farmer, Mumbwa

A second group of project beneficiaries is the agribusiness community. This group benefits from the access to raw products and the reduction of transaction costs when an agribusiness deals with a large group of organized farmers rather than one farmer at a time. The organization of farmer groups (RGB's) brings a supply size economy of scale to the agribusiness community that did not exist before CLUSA.

A good example of a benefit to the agribusiness community is the development of the small holder paprika industry. Before CLUSA introduced paprika into the RGB production mix, only large holders grew paprika. In 1998, over 16,000 RGB members grew paprika and the number grew in the 1999/00 crop year. The availability of raw paprika has spurred significant investment in the down stream agri-processing sector and increased the number of processors/exporters operating in Zambia. This level sub-sector economic growth would not have occurred without the stimulus that CLUSA brought to the industry. The result of the growth in the Zambian paprika production and processing industry is a very direct contribution to the USAID's SO1.

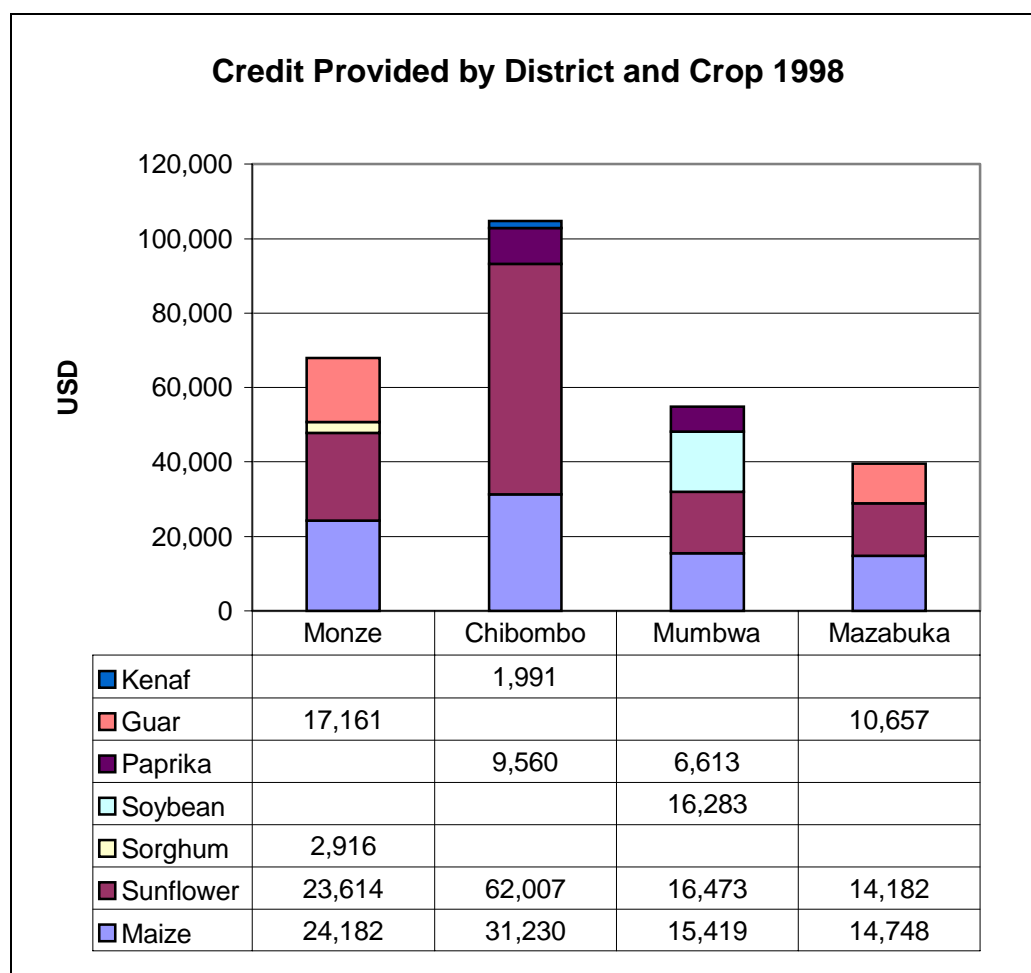
### Responding to Client Demands

**Demand Factors for CLUSA's Services:** Demand is high for CLUSA's extension and credit services. The reason for this is very straightforward; the project provides services and resources that are in very short supply in rural Zambia - knowledge (education and training) and capital.

The evaluation team observed that the demand for the resources (knowledge and capital) that CLUSA provides is in much greater demand than CLUSA can provide. This can work to both CLUSA and CMS's advantage. By having demand for their services high, the project can be selective in which groups it chooses to work with, thereby eliminating groups that have higher credit risks or do not choose to practice the CF farming methods and other techniques promoted by the project

**Identifying Beneficiary Needs:** CLUSA is limited in what needs it can address. The groups of inputs that the project can provide if called upon to do so are training, organization development, credit and market access. The project (CMS) has stopped providing non-crop loans to rural business groups. This was done in an effort to reduce the workload on the CMS account managers and allow them to fore on their core business – crop loans. In the future, if CMS can get better organized and improve loan recovery rates it is recommended that they (at that time) re-introduce non-crop agri loans. These small business loans are great incentives to groups and individuals

to repay their loans. Additionally, the businesses that are developed as a result of these small loans are important to rural economy, fueling commerce by delivering vital inputs and creating outlets to markets.



**Figure 13,** Source: CLUSA Zambia soybean

**Effectiveness of Needs Identification Methodology:** The primary need in rural Zambia (as observed by the evaluation team) is food security. When the evaluation team interviewed RGB members, food security was often the first “need” that was mentioned. By including maize and sorghum in the CLUSA production package, the project is meeting this need. On numerous occasions, the evaluation team heard comments such as “since we have begun working with CLUSA we are no longer hungry.”

### Services Provided to Clients

**Identification and Delivery of Key Services:** CLUSA is limited in the type and quantity of services it can deliver to clients. The project has cut back on the types of services provided so that it may better focus on its core business – RGB development, extension and facilitating crop loans. To allow for this greater focus, CLUSA has

suspended the facilitation of micro-business loans. Given the current burn rate of the CMS loan fund this is a prudent strategy.

Currently, the project is concentrating on identification of high quality rural client groups. The quality determination is to a large extent a function of the ability of groups to organize themselves and receive training. A second and equally important client quality factor is the ability and /or willingness to repay loans.

**Structuring the Delivery System to Fit the Zambian Rural Environment:** It has been noted earlier in this document that the Zambian rural village social and value structure is fundamentally different than that of West African countries where CLUSA RGB projects have been implemented. In Zambia, rural people have few social controls imposed on them by an overriding social structure or group. There is little emphasis on the group and more emphasis on the individual. This has made the implementation of joint responsibility – rural group businesses more complex in Zambia. In addition, the project is forced to deal with the latent effects of 25 years of centrally planned economy and the damaging effects this has had on the small farmer, the agribusiness sector and entrepreneurial spirit in general. Overcoming the population expectation that the government will give us resources for free is a regular concern.

#### Cost Effectiveness of Services Provided

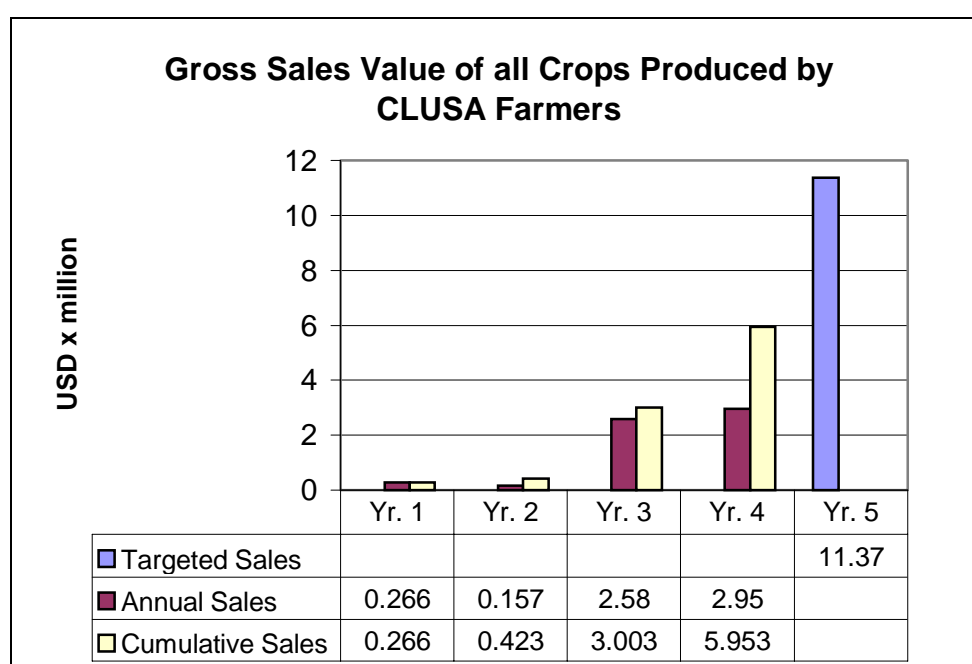


Figure 14, Source: CLUSA Zambia

**Ratio of Project Costs to Economic Benefits Derived:** For every dollar that USAID spends on CLUSA, 1.16 dollars of marginal sales revenue is generated at the farm gate. As the project moves into higher value crops such as horticultural products for

export, in association with Agriflora (one of Zambia's leading producers/ exports of HVC's) the ratio of funds expended and marginal sales will widen.

CLUSA's management is considering coffee as a crop to include in the production package. The evaluation team supports this plan as it involves the production of a HVC with well functioning, high-demand export markets much like the paprika model.

#### What Farmers Think of the Training Provided by CLUSA

- *We now understand that farming is a business and have learned to think about profits*
- *We have learned new skills and have confidence in what we do.*
- *Putting the training into practice has lead us to change our attitudes about how we farm. Before, we would use one field,, then abandon it and move to another one. Now, we have learned that the fields are never too old.*

Comments from Mumbwa RGB members

Developing new programs directed at training farmers in the production, post-harvest handling and grading of high value horticultural crops will require CLUSA to hire on new people with backgrounds in these crops and develop market links to Europe, South Africa and other world markets. It will be an important new area of operations for CLUSA. With donor support and good planning, the evaluation team feels that increasing the role of high value crops will be good for the long-term sustainability of the project, improve credit recovery and significantly contribute to the realization of SO1.

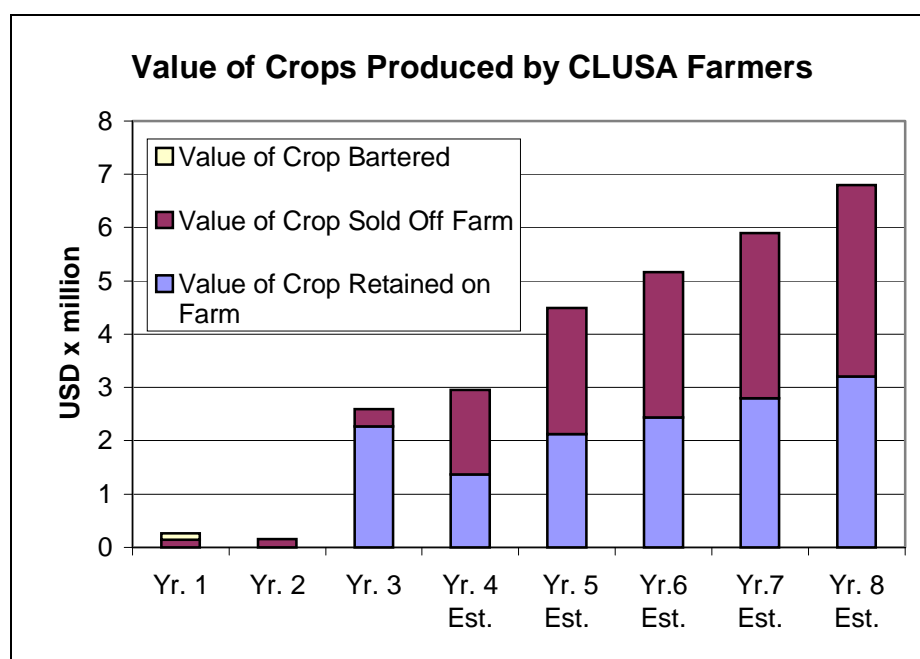


Figure 15, Source: CLUSA Zambia

Figure 15 assumes a 15% year on year growth rate after year 4 in the value of crops produced by CLUSA farmers. To achieve this level of growth, the CLUSA project management estimates that the CMS loan fund will require an additional \$650,000 in capital starting in year six (assuming a three year project extension is requested and funded).

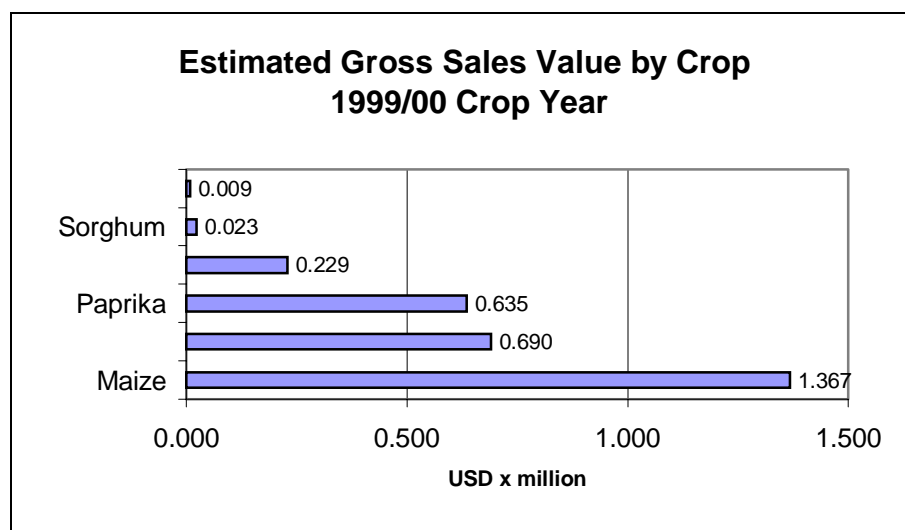


Figure 16, Source: CLUSA Zambia

When comparing Figure 16 and Figure 11 it can be noted that maize made up 26% of the area in the 1999/00 crop season but 46% of the total value of all crops produced by RGB's. This high ratio of area to value is mostly due to the high yields CLUSA project farmers are realizing. Another key point that can be drawn between Figures 16 and 11 is the area value for sunflower. CLUSA RGB's devote 42% of their area under cultivation to sunflower but it represents only 23% of total crop value in the 1999/00 crop year. Although it has a relative low value per unit area of land it is an important cash crop – useful in loan recovery. Paprika has a high unit area value, totaling only 9% of all land cultivated by RGB members; this crop represents 21% of the aggregate gross revenues earned and more than half the profits. Given the high labor inputs required by CF methods, it would make sense for CLUSA to promote HVC's but keep maize as a key crop in the production mix.

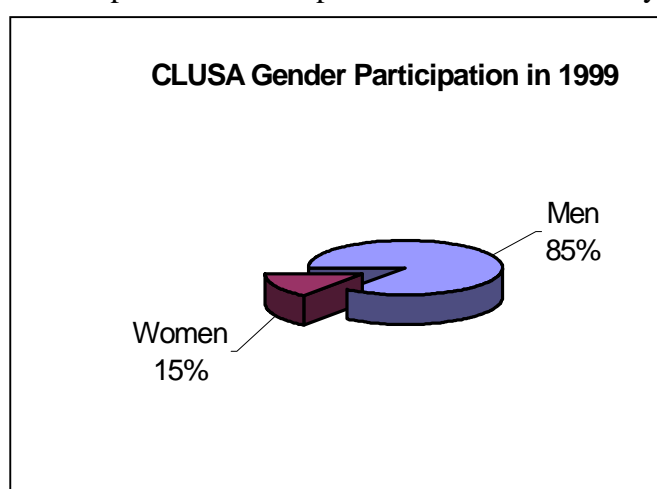
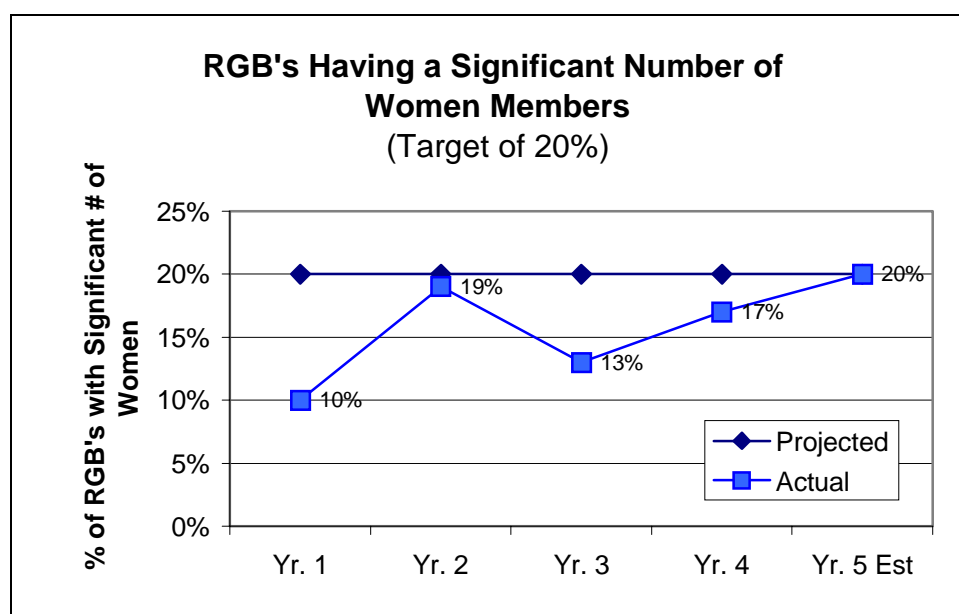


Figure 17, Source: CLUSA

**Effectiveness in Working with Women's Groups**



**Figure 18**, Source: CLUSA Zambia (significant = women making up 50% or more of RGB)

### **Increasing the Role of Women in the CLUSA Project:** The observations of the

evaluation team when meeting with the RGBs were that women were either under represented or not represented at all in the management structures of the RGBs. Most of the women that were present during the meetings were quiet and shy in responding to some of the questions posed to them. In terms of the type of additional support they would like from CLUSA, poultry farming and hammer mills were suggested by one of the women farmers.

#### **Achieving Gender Goals**

CLUSA has consistently fallen short of achieving its goal of having 30% of the project's direct beneficiaries be women. CLUSA needs to identify new strategies that increase the number of women involved in the project, as well as give them a greater voice in the decision making process.

The evaluation team recognizes that this is not an easy task in the Zambian context. The project has made attempts at reaching the deliverable targets, but given the gravity of the current gender imbalance, the evaluation team feels that this area needs additional attention by project management.

Although poultry farming would be a good idea, the costs associated with it need to be assessed as well. A compound has to be built and chicken

feed would have to be purchased. In the case of hammer mills, the cost of a hammer mill is in excess of K5 million (which would not be feasible for a single farmer). However, using the hammer mill on a shared basis may be an option for the RGBs.

Since women farmers tend to be more cautious, it is important that CLUSA is portrayed to them in the proper manner and not as a heavy-handed debt collection agency when RGBs fail to repay loans. CLUSA and CMS are separate entities, which should be emphasized to the clients.



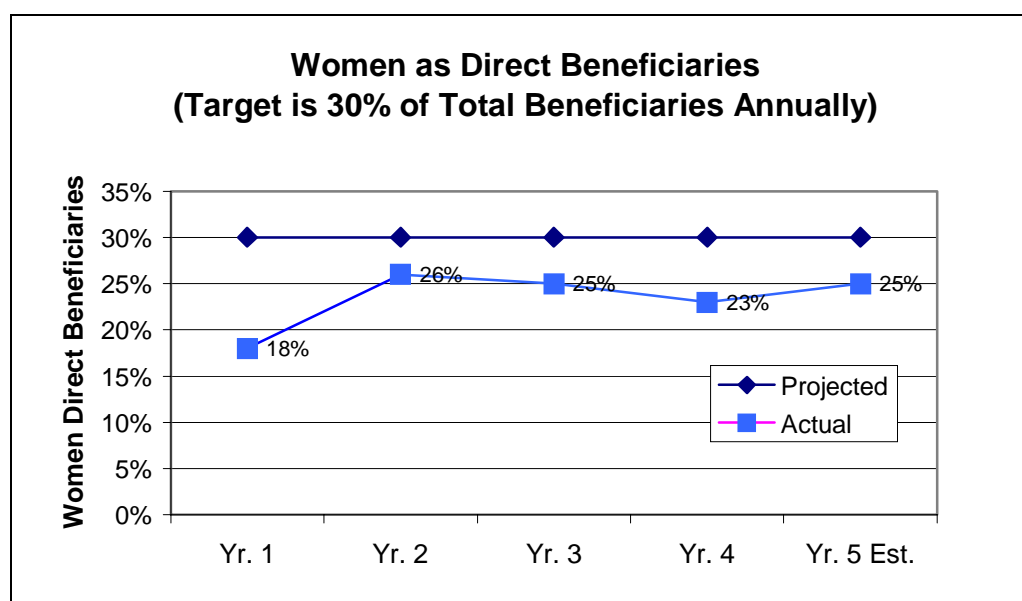


Figure 19, Source: CLUSA Zambia

### How Women Benefit from the CLUSA Project

When the evaluation team asked the women in the RGB's if (and how) they have benefited from CLUSA, they quickly said, "*leadership training, agricultural extension, access to markets and timely delivery of inputs*".

When asked what CLUSA could deliver in the future that would most benefit the group, the ladies replied, "*more training on any subject*".

The creation of separate women's groups could ensure that women participate in the mixed RGB meetings. Group facilitators should also encourage women farmers to stand up for leadership positions. However, farmers who are literate are normally elected to the depot committees. Since the women members are mostly illiterate, the depot committees consist of male farmers.

### The Literacy Situation

In assessing the literacy situation, CLUSA has taken steps towards providing a functional literacy component to the RGBP. A Needs Assessment Survey was carried out in Nkaba, Sikabenga, Njola-Mwanza, Namatcha, Namulongwe and Chisisi Depots, which are all situated in Monze, during the months of February and March this year.

Eighteen RGB's totaling 127 farmers were interviewed, comprising of 94 female and 33 male farmers. The results of the survey concluded that 74% of the women farmers and 26% of the male farmers were found to be illiterate. Therefore, literacy does pose a problem amongst most women and some men in the rural communities.

It is expected that the first Workshop will be conducted in Monze in the fourth week of May this year. Provided this workshop is successful, similar workshops will be conducted in other CLUSA areas. These should increase the understanding of training

materials and lead to farmers applying new farming methods and multiplying their yields, contributing towards the effective achievement of CLUSA objectives

### **Linkage to Institutions, Organizations and the Private Sector**

**Addressing Sustainability Through Links to Local Institutions:** The long-term success of CLUSA is closely linked to the effectiveness of its implementing partners, CFU and CMS. The CFU's primary function is agricultural research and extension. Typically, this type of activity is difficult to privatize and in the Zambian context it will require continued financial support from donors. In some cases as with paprika, private firms may supplement CFU extension activity but they will not replace it.

The credit facility partner, CMS is a private organization. The firm has been managing micro-credit program funds for USAID and other donors for the past four years. The evaluation has several concerns about the CMS operation. These concerns are a threat to CLUSA long-term sustainability and include:

- A poor history of debt recovery;
- Insufficiently trained accounting staff;
- High turnover of key management level employees;
- Poor communication with CLUSA marketing department;
- Under staffing of field credit officers; and
- Poor management information systems.

The question CLUSA and USAID need to ask is; is the CMS operational fixable (can CMS achieve loan fund cost recovery and preserve USAID loan pool capital) or should CLUSA look for an alternative credit facility partner.

Under the current CMS system, USAID funds are at risk. Spending more money on MIS, training and field staff can reduce this risk but there is no guarantee that pumping more money into CMS to improve management will result in cost recovery for USAID's loan pool capital. The decision is difficult and is outside the scope of work for this evaluation but it is a decision that USAID and CLUSA will need to make and the sooner they deal with this issue the better.

As noted in forgoing sections the team supports the idea of a privatized marketing department. Planning for this should begin as soon as possible.

**Alternative Institutional Delivery Structures and Systems:** The available alternatives for a different institutional credit delivery system for managing the loan fund is limited. One option is to have CLUSA set up a private and autonomous credit facility that manages the loan fund. This new organization would have no obvious links to CLUSA and would operate like any other for profit firm. This option will require considerable discussion and planning but it needs to be considered, given CMS's historical performance.

**Required Resources for Alternative Delivery Systems:** The CFU is linked to ZNFU and to date this relationship appears to be working well. The evaluation does not recommend any changes in the day to day CLUSA/CFU/ZNFU relationship. The evaluation team believes that USAID should provide financial support (200,000 USD/yr.) to the CFU. In return for this financial support, CFU should provide CLUSA with eight full time CF trainers to be located in the field.

CLUSA is currently covering the cost of the CMS local office, training for CMS staff, MIS hardware and software, consultants and field credit officers salaries in the four districts. If CLUSA sets up a separate credit facility, all of these costs would still need to be covered plus additional costs for middle and upper level management.

In privatizing the marketing department, CLUSA will need to train its RGB members in subjects such as shareholders rights and corporate governance. Additionally, CLUSA will need to organize RGB members into larger governing organizations with links between the districts. This will require considerable time and effort and will require additional staff and/or consultants to help implement this activity.

**Synergistic Linkages to Public and Private Organizations:** CLUSA has made good progress in linking small farmers to the private agribusiness community. Examples of this can be seen in the market channels that they have helped develop in the grain, paprika, and HVC horticultural products. With the start-up of the ZATAC project, CLUSA has new opportunities in developing new synergistic partnerships. Already both projects have begun to work together to reach common goals.

## 5.0 Social-Economic Profile of Clients

### Socioeconomic Characteristics of Rural Group Businesses

	CHIBOMBO	MONZE	MUMBWA	MAZABUKA
<b>Gender</b>				
Male	*	79%	62%	72%
Female	*	21%	38%	28%
<b>Age</b>				
18-30	10%	10%	20%	35%
30-60	88%	84%	75%	45%
60+	2%	6%	5%	20%
<b>Education</b>				
College	1%	6%	4%	10%
Up to grade 12	45%	93%	95%	88%
Other	54%	1%	1%	2%
<b>Work Experience</b>				
Those with	5%	10%	10%	15%
Those without	95%	90%	90%	85%

Source: Milimo Report

\* not available

### Strengths and Weaknesses of Rural Group Businesses

Strengths	Weaknesses
• Collective responsibility	• Limited market knowledge
• Depot concept is attractive to buyers	• Limited technical knowledge
• More efficient training	• Limited business knowledge
• Resources are not 'sticky'	• Limited capital – liquid & collateral
• Adapt to the market	• Lack of infrastructure
• Learning from each other	

**Knowledge and Utilization of Technology and Good Agricultural Practices:** CFU is the primary source of CLUSA's technical agri-information. The facilitators are the conduits through which this information flows to the RGB members. Given the

#### Leadership and Responsibility

*"Leadership training has been very helpful. In the old (earlier) programs we elected officials but no one knew what they should do – what their role was. CLUSA has trained the officials on what their roles are as RGB elected officials".*

RGB member farmer Mumbwa

results the evaluation team has seen in the field, it is clear that CF methods and technology are having a significant positive impact. There are RGB members who have questions on subjects such as ripping vs pot-holing and other technical issues. The evaluation team feels that the vast majority of these questions can be addressed through continued and normal extension practices.

#### Fiscal Management and Business Skills and Capacity:

To date, CLUSA appears to have done a good job in training RGB members in

fiscal management and business skills. In project year two, CLUSA was within 95% of its target for training depot accounts. The cooperative agreement document does not set out any targets in this skill area after that year. Nevertheless, in terms of numbers, CLUSA is training a large numbers of people. The evaluation team did not have time to examine the quality of the training program. In some districts such as Mumbwa, the members seem to have really absorbed the concepts of business planning and operations. On the other hand, the team met with depot groups (RGB members) that appear to still need basic training. In one case, a member asked the team "what is a dollar? Our loans are in dollars, why is this?" The team also notes some confession by members in lack of understanding of CMS settlement statements and other bookkeeping basics. The lesson to learn here is that training must be ongoing.

**Understanding of Zambia's Agribusiness Environment:** The CLUSA management seems to have a good appreciation for the Zambia agribusiness environment. Management staff turnover on the project is not a problem and this has allowed them to spend time in the country and become familiar with the sector. Additionally, they have a local staff person who assists them on a daily basis in interpreting the business landscape and planning the project's path ahead.

## Continual Improvement of Rural Group Businesses

**New Skills to Insure Long Term Success and Sustainability:** Continual skill development is a must at all levels of the project. One area that needs attention soon is in MIS. Within CLUSA and between CLUSA and CMS, the MIS skill level appears to need some attention. There are numerous software systems of different ages in use, which makes the transfer of information difficult. CLUSA and CMS need to update the MIS system and improve the staff skill levels as well. In some areas (Monze and Mumbwa), when phone lines are available, the project should provide CMS and/or CLUSA district managers with email as well as provide the training to allow them to use it.

Training farmers is the main strength that farmers see in CLUSA and it is important that CLUSA constantly seeks new areas for improvements in training techniques to ensure that farmers are acquiring new skills and venturing into more productive activities.

### 6.0 Project Structure and Administration

The Chart in Annex C, "CLUSA Outgrower Scheme Conceptual Framework", provides an overview of how CLUSA works. It is a complex project and is management intensive. In the next few months, the project's COP will be leaving. This could be a difficult time for the project, as the current COP (Ron Phillips) has much of the project's institutional knowledge in his head. When he leaves, a large part of the project's historical information and lessons learned will leave with him.

NCBA should make every effort to hire a new manager before Ron Phillips leaves to ensure a smooth hand over. Ideally, NCBA will identify a candidate with Zambian experience or experience in a nearby country.

Both the CFU and CMS have their own administration system, completely independent from CLUSA. To date, there have been few, if any administration problems between these groups.

**The Marketing Process:** At a brief glimpse, the Marketing Department at CLUSA has overall responsibility for procuring inputs, logistics, liaison responsibilities with CMS and locating buyers in the marketplace. In carrying out their individual responsibilities, the Marketing Department has weekly meetings where they plan and update the annual plan they work from.

During the June-August period, CLUSA receives a budget plan from each RGB, indicating the crops each farmer plans to cultivate under the CLUSA program and the input requirements for each crop. Once the budget plans are approved, the Marketing Department communicates the input requirements and loan amounts for each RGB to CMS. This is required by CMS since it requires each member to keep an equity deposit of 10% of their loan amount with them.

Once the Marketing Department has arranged for the procurement of all inputs and their delivery to each depot, the supplier bills CMS for payment. CMS then distributes the costs on a pro-rata basis among the RGB loans.

Once Marketing has gathered information about suppliers and the availability of inputs, quality and pricing aspects are taken into account. Besides getting the lowest possible price, Marketing also gets fertilizer suppliers to supply on credit. Similarly, transportation companies are screened and following negotiations, delivery to each RGB is arranged.

Following delivery of inputs in the September-October period and the planting of crops, the next steps taken by Marketing are ensuring that empty grain bags are available for the crop produce and that logistics are in place for collection of produce from each depot.

During May, the crop produce is either transported to CLUSA or directly to buyers in Lusaka, depending on the agreement made with buyers. The costs incurred are again passed on to CMS for deduction from RGB loans.

When searching for buyers, Marketing once again looks for the most competitive price the produce can be sold at. With some suppliers, such as Amanita, the supplier arranges transport for collection of crop produce from the depots. At the same time, farmers are able to request advance payments from CMS since they have an idea of how much they will harvest.

By July, most buyers send their payment checks to CMS. After making the necessary deductions, the payments are made through one of the CMS payment points for collection by RGB members. The cycle starts again.

It is important for both the Marketing Department and CMS to be able to successfully liaise with each other during each stage of the cycle. Overtime, CLUSA has maintained strong business relationships with suppliers and transportation firms. In turn, suppliers and buyers look towards CLUSA because of its ability to group farmers together to form RGBs.

### Marketing Department Recommendations:

#### Comment by Farmer/ RGB Member

*“Some truck drivers refuse to stack their trucks to full capacity even though we are paying for full capacity because they complain about the roads being in a bad condition. However, we later find that they take on non-CLUSA loads once they reach the tarmac road”.*

RGB member, Mumbwa

- A threat to marketing crop produce is the logistics of transporting it back to Lusaka. During visits to the RGBs, many of which were located deep in the bush, the evaluation team was not surprised that truckers refuse to stack their trucks to full capacity. It is understood that the standard policy in Zambia is for charges to be calculated on the basis of

multiplying the rate, truck capacity and distance together. The main issue is the state of the roads and transportation of non-CLUSA loads. The state of the roads significantly increases the rates charged by transporters and reduce the number who are willing to go into rural areas, which reduces farmer profits. Often, in rural areas, the Government Roads & Works Maintenance Department do not maintain roads well.

One of the RGBs that was visited had set up a committee for repairing the roads. This shows that the farmers are truly working towards a common goal to ensure additional crop produce is transported to Lusaka.

#### **Lozi / Luyana Proverb**

Proverb: *Simulya kaye yonjimi.*

Translation: *He who eats his own produce is a farmer.*

Usage: *Used contemptuously about a person, who is fond of criticizing what others do, when he himself does not produce or perform.*

Implication: The essence of the proverb is that people should teach by example, i.e. by doing things they find to be badly done in the way they feel fit; so as to enable others to learn from their example.

- The Marketing Department could consider giving longer credit periods when purchasing inputs from suppliers to the benefit of farmers. This may be used as part of an incentive to RGB's that have a good credit history.

- The Ministry of Agriculture, Food and Fisheries (MAFF) is aware of the CLUSA program. However, to the knowledge of the evaluation team, no programs have been put in place to help CLUSA farmers. It would be beneficial to all to have regular seminars and meetings where CLUSA farmers are able to share their experiences and be heard by the Government.

- Many of the depots are capable of linking into the marketing side of CLUSA operations. According to CLUSA, depots are increasingly becoming business centers where they order extra inputs and sell to non-CLUSA farmers. If this idea is implemented throughout the districts where CLUSA operates, both CLUSA and non-CLUSA farmers would benefit in terms of increased incomes and quality inputs.

- Many of the farmers complained of the distances involved in transporting their crop produce to the depots. Initially, many of the farmers were keeping cattle. However, the cattle later died due to Corridor Disease. To deal with transport issues RGBs suggested keeping donkeys. However, this would be a costly option to CLUSA. Subject to funding, donkeys could be part of the RGB packages and breeding donkeys could be encouraged among the farmers.

## Project Organization

### Project Organization and Cost Effectiveness:

#### **Cost Effectiveness Based on 1999/00 Crop Year Estimated Yields and Prices**

▪ Value of maize produced by CLUSA farmers	1.367 million USD
▪ Value of other crops produced by CLUSA farmers	<u>1.586 million USD</u>
▪ Total value of crops produced by CLUSA farmers	2.953 million USD
▪ Total value of crop loans dispersed to CLUSA farmers	<u>.571 million USD</u>
▪ Net income after debt (P&I) for CLUSA farmers	2.382 million USD
▪ Mean net crop income per CLUSA farmer	347.73 USD
▪ Mean net crop income per non-CLUSA farmer	<u>149.55 USD<sup>1</sup></u>
▪ Mean marginal benefit to CLUSA farmer	198.18 USD

Aggregate marginal benefit of CLUSA to SO1 1.357 million USD

Ratio of annual expenditures to aggregate marginal benefits 1:1.16<sup>2</sup>

#### **Long-Term Sustainability of RGBs**

To insure that the CLUSA project is sustainable, project management and USAID need to do several things. Firstly, the CMS credit recovery program has to be improved in a way that will improve debt recovery rates. If there is no improvement by the end of the 1999/2000 season, CLUSA and USAID will have to make a rapid decision on how to best restructure the credit delivery system. This issue needs to be addressed now and contingency options need to be identified.

RGB's must be made to understand that if an area has high default rates, CLUSA and CMS will pull out of the area. Additionally, CLUSA should not tell CMS where or how to make its loans. CLUSA should make suggestions and introduce CMS to new clients but in the end the decision to enter into a loan is CMS's decision only. This decision should be based on commercial viability and not on the good intentions of CLUSA.

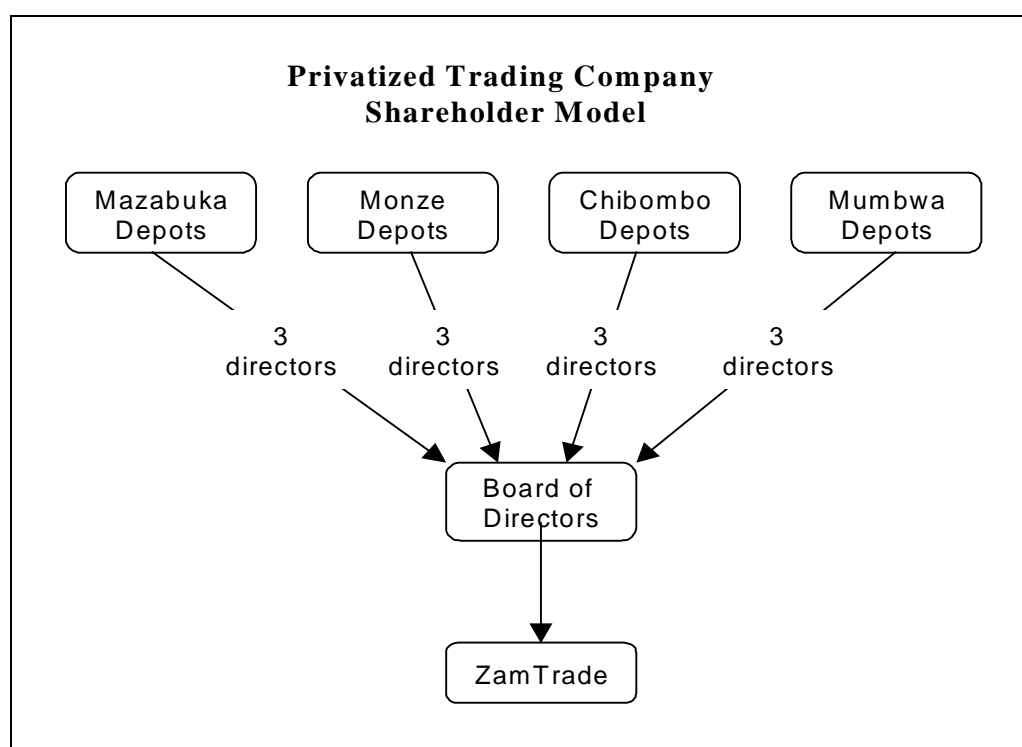
In addition to dealing with the credit issues, CLUSA needs to move the marketing department towards privatization or some other structure that will allow it to become an independent self-capitalizing organization. If these two issues (credit cost recovery and marketing department restructuring) are effectively addressed, the project will have taken a large step towards ensuring its long- term sustainability.

<sup>1</sup> Based on 50% of CLUSA farmers' yield and 150% of the area, farming in the same district

<sup>2</sup> Estimated, 1999 only



**Privatization of the CLUSA Marketing Department:** The CLUSA program has been running for four years and one year is remaining before the cooperative agreement signed between the USAID and CLUSA expires in 2001. During our field visits to farmers, we explained to them that CLUSA would not be in Zambia forever and that a system would have to be put in place whereby the CLUSA efforts are carried forward in the future. At most, the CLUSA program may be extended for another three years. But what will happen to CLUSA farmers once CLUSA leaves ?



**Figure 20**

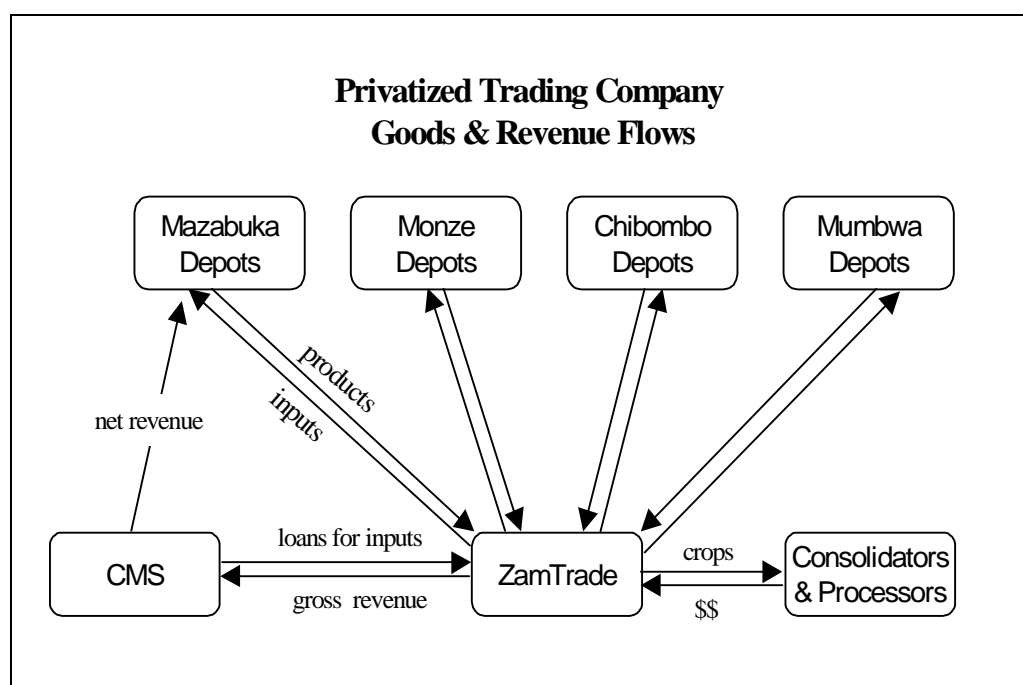
Following discussions with CLUSA management and RGBs, privatizing the marketing department seems to be the most viable option at present. The questions that arise are:

- How do we privatize the Marketing Department ?
- Will it be self-financing or require donor funding ?
- What will be the role of farmers in the new company ?
- Who will manage the company ?
- Will it be as successful as CLUSA has been in carrying out SO1 ?
- Future options for CMS ?

Each of the above questions and various others need to be addressed before any steps are taken to privatize the marketing department. A privatization advisor would certainly have to be sourced and the new company would have to be in place before CLUSA leaves.

The diagram in Figure 20 illustrates the proposed shareholder model for the trading company, assuming it is named ZamTrade. The diagram below (Figure 21) describes the goods and revenue flow between the company and other parties concerned, namely the CLUSA farmers, CMS, consolidators and processors. The only difference between the diagram and what is in operation at present is that CLUSA has been replaced by ZamTrade in the model. In addition, logistics are not illustrated in the diagram for simplicity purposes.

Ensuring that the CLUSA farmers' interests are given first priority, the best option for privatizing the marketing department is by issuing shares to CLUSA farmers. For simplicity, let's assume each farmer is issued one share. Each share will have to be purchased by a farmer and the price of the share will depend on the capital required to set up the company. This option will ensure that decisions are made depending on the agreement of shareholders across all four districts by having a vote.



**Figure 21**

In addition, farmers will have to elect their representatives across each district. At present, there are four districts in which CLUSA is operating. Assuming the present scenario, three representatives would be elected from each district to represent the farmers in their respective districts, bringing together a total of twelve farmers. These farmers will sit on a board and represent the views of their fellow farmers when sitting in on regular company meetings and making important decisions.

The company would have to be managed by people who are trustworthy and have experience in managing a company of such a nature. The employees of ZamTrade would be working for the CLUSA farmers and not vice-versa.

Assuming CMS continues to perform its role of agri-lending to the farmers, two options are available. The first and most likely option is that CMS will act as a separate entity and perform its business as usual, liasing with ZamTrade. On the other hand, ZamTrade could have a department within it dealing with agri lending to the farmer shareholders.

#### **Luvale Proverb**

Proverb: *Njiamba afwila makunga kuvula.*

Translation: *An elephant dies because of many spears.*

Meaning: *A big task or problem can only be accomplished/solved by many people. Used when advising a person to call upon others to come to his/her aid. The English equivalent would be "Many hands make for light work".*

Another possibility is for CMS to set up an agri lending subsidiary exclusive to ZamTrade and merge this subsidiary into the new company. An agreement could be made whereby CMS retains a fraction of the overall profits generated at the end of the harvest season. This would be subject to shareholder approval.

Employing staff and the annual operational costs associated with ZamTrade would have to be borne by the

shareholders, the CLUSA farmers. Since there are approximately 6,850 farmers who are part of CLUSA at present, the costs borne by each farmer may not be large when compared to the profits generated and distributed to each farmer.

Additional requirements for farming such as livestock and equipment could be bought by ZamTrade and leased to depots for a specified period of time. Once the company is operational, various decisions could be made, all subject to shareholder approval throughout the four districts. Many benefits would arise out of ZamTrade, in addition to having farmers' views collectively heard by the Government and other institutions such as the Zambia National Farmers Union (ZNFU) and the Conservation Farming Unit (CFU).

<b>Description</b>	<b>Estimated Cost (\$)</b>
Vehicle	25,000
Office Equipment incl. computers	15,000
Other costs	10,000
<b>Total</b>	<b>50,000</b>

The initial capital costs associated with setting up ZamTrade could be sourced from donors, government or financial institutions by taking out a loan. Also, CLUSA assets such as office equipment and furniture could be passed over to ZamTrade. Assuming ZamTrade is required to purchase assets, the initial costs of setting up the company would be as indicated below.

If the shareholders bear the burden of initial capital costs, each farmer would contribute 7.50 USD (assuming there are 6,850 shareholders).

Below is an estimated annual budget for ZamTrade, assuming it employs 2 full-time and 2 seasonal part-time staff, and CMS remains a separate entity.

Overhead Item	Estimated Annual Cost (\$)
Staff Salaries	31,000
Travel	10,000
Office Rental	12,000
Secretarial Services	1,500
Electricity/ Water/ Telephone	3,500
<b>TOTAL</b>	<b>58,000</b>

Assuming the estimated annual costs of operating ZamTrade are 58,000 USD, each farmer would contribute 8.50 USD towards annual operational costs.

In the case of ZamTrade, training and other resources would have to be subcontracted to consultants. In addition, farmers will have increased responsibility in terms of having to contribute money towards operating the company.

The idea of privatizing the marketing department and replacing CLUSA with ZamTrade was approved by farmers in the RGB's we visited. However, when considering selling shares to each farmer, it would have to be ensured that farmers are given training in issues such as shareholder rights and corporate governance.

CLUSA is planning to implement this strategy and a VSO has already been contracted to work closely with the MD designee to improve the record keeping and accounting systems that will be needed. An educational effort will also take place to prepare farmers for the transition from CLUSA to ZamTrade. Educational meetings with the depot committee representatives will also be held so that they in turn hold meetings with the RGB's in their depots.

Privatization is a promising opportunity provided it is accepted across the districts. A further study will have to be conducted to assess the feasibility of ZamTrade.

## 7.0 Credit Management Services

**The Credit Program:** During the initial stages of project design, it was expected that some of the commercial banks in Zambia would participate in the RGB's loan guarantee program. However, once implementation began they repeatedly delayed concluding a formal agreement and it became clear to program management that the banks would not be involved and another institutional financial partner would have to be sourced.

Credit Management Services (CMS), a licensed Zambian company based in Kabwe, emerged as a prospective partner and an agreement with CLUSA was concluded in mid-1997. CMS took over the program funds originally designated for loan guarantees and began to utilize these funds for direct lending to the RGB's for their economic activities.

### CMS Field Operations

CMS is given information on farmer groups that have qualified by CLUSA and prepares loan agreements on the basis of dispatched input data from CLUSA. These agreements are then given to CMS Credit Officers who visit the groups and explain the agreements to the RGBs. Once the loan agreements are signed, they are returned to Lusaka. In addition, CMS Credit Officers collect equity down payments and give that information to CLUSA, and spend the rest of the season monitoring and collecting debts. At present, CMS has 4 credit officers working across the four districts.

The Loan Fund amount was agreed at 885,000 USD and disbursed to CMS in three separate installments of 200,000 USD, 300,000 USD and 385,000 USD over the first three years. In addition, the agreement indicated that subsequent fund transfers into the Loan Fund may be requested by CMS when the active outstanding balance is equivalent to 85% of the Loan Fund and CMS submits to CLUSA financial projections documenting the amount needed. This would be subject to satisfactory performance by CMS in managing the Loan Fund.

Initially, RGB's were required to provide 15-20% of the loan amount in cash as their equity contributions. In addition to their application for CMS credit, RGB's were required to submit a business plan that included a market analysis, as well as cash flow and profit and loss projections. Each application would then be reviewed by the CMS loan committee on the basis of commercial lending criteria. With the shift away from a focus on group-based activities to the outgrower scheme (OGS), CMS credit activities were also shifted to focus on cash crops and the cash equity requirement was reduced to 10%.

**CMS Compensation:** For the services provided by CMS in managing the CLUSA credit to small farmers fund, CMS receives a commission of an annualized rate of 10% on the principal recovered, which is paid to CMS on a monthly basis. The amount paid to CMS each month is calculated on the total value of principal paid on all loans making final payment during the month. A 1% loan initiation fee (which is retained by CMS) is also charged to all loan applicants. In addition to the compensation, the costs of employing the credit officers and employees in the Lusaka office are borne by CLUSA; and an advance is given to CMS every month to cover any additional costs. This advance is normally repaid following the harvest season

### Credit Structure and Cost Recovery

During the marketing phase, once CMS receives payment from the contractor/outgrower, it calculates the net income per crop for each RGB after deducting advance payments, outstanding loan balances and the amounts deposited in farmer savings accounts. The remaining balance is then paid to the RGB's, which calculate each farmer's net income and pass the payments to the individual member concerned.

Since the RGB's are located in different areas in each of the districts, CMS has strategic locations where RGB's collect their advances and final payments. RGB's in Mumbwa are able to receive payment through Barclays Bank Mumbwa Branch. In Chibombo, RGB's collect their payments from the CMS office in Kabwe and RGB's in Monze and Mazabuka collect their payments from the CMS office in Mazabuka. In general, two authorized farmers representing each RGB collect payments. The table below (in USD) gives an overview of how the Loan fund has been utilized by CMS to date.

Credit Measurable	Year 1 (1997)	Year 2 (1998)	Year 3 (1999)	Year 4 (2000)	Year 5 (2001)
Credit pool capitalization	-	200,000	300,000	385,000	na
Credit available	-	200,000	486,387	676,766	na
Credit distributed <sup>3</sup>		102,519	331,054	668,000	na
Credit unused		97,481	155,333	8,766	na
% of loan capital distributed	-	51%	68%	99%	na
Credit recovery	-	83,233	200,615	na	na
% loan default	-	19%	40% <sup>4</sup>	na	na

Source: CLUSA

#### Chitonga Proverb

Proverb: *Muzoka ulya kweendeenda*

Translation: *A snake eats by moving around*

Meaning: *If you want something you have to make an effort*

Usage: Used when advising people who sit idle and expect good things to come their way, to move about in order to get them.

The above table indicates that this year, CMS has come to a point where it has distributed 99% of its capital. CMS has indicated that it cannot sustain the burden of more RGB's joining the CLUSA program since it does not have enough funds.

Figure 22 illustrates the depletion of the loan capital fund since 1997. Supposing the default rate remains unchanged, at the rate of 30%, the fund will deplete 50% of its capital in two years time. Also in figure 22, various scenarios have been presented using different burn rates. Assuming all RGB's who have negotiated debt restructuring packages repay their loans by September 2000, then the default rate in project year 3 would be 18%. As presented in the graph, it is vital that every effort is made towards reducing the loan default rate and ensuring that the loan fund does not burn out over a short period of time.

<sup>3</sup> Credit Distribution: includes operational expenses

<sup>4</sup> Includes business loan and crop loan losses

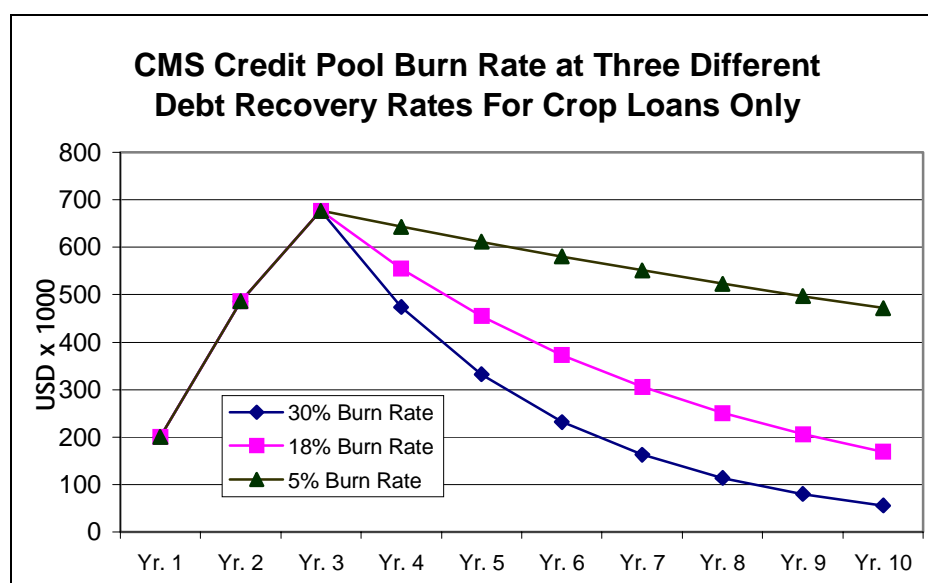


Figure 22

CMS-CLUSA Budget in USD, 1999/2000	
Operating Expenses for 12 months	68,785
<b><u>Estimated Loans Disbursed</u></b>	
8000 farmers @ mean loan of 125	1,000,000
80% Recovery Rate (fully paid loans)	800,000
<b>Ratio of Costs to Estimated Loans Disbursed:</b>	<b>0.068:1</b>
<i><b>“A cost of 6.8 cents is incurred for every dollar lent out to farmers”</b></i>	

Source: CMS (Note: Budgeted figures only)

### CMS Contribution to Project Goals & Objectives

Keeping in mind SO1, CMS manages the program funds and utilizes these funds for direct lending to the RGBs for their economic activities. CMS credit officers monitor the loans given out to the RGBs and ensure that they are collected. CMS also acts as a ‘banker’ to the CLUSA program since it makes payments to the suppliers of inputs and receives payments from the buyers. Once payment for crop sold is received, CMS distributes the net income to the RGBs from central points. Therefore, CMS plays a major role in the CLUSA program.

**CMS Credit Officer Recommendations:** During the evaluation process, a common comment by farmers was that credit officers rarely visit them. At most, they are visited once or twice a year. Following discussions held with CMS management, it

was noted that credit officers give greater importance in visiting those RGB's who are unable to repay the loans. Given the geographical spread and volume of RGB's logistically, CMS commented that it would be impossible to cover all RGB's on a regular basis.

The evaluation team feels good customer service has to be provided to all the RGB's, irrespective of their loan repayment rates, which means CMS needs to employ additional credit officers to foster a healthy business relationship with its client RGB's. Preferably, two credit officers should be employed to cover each district.

Emphasizing on customer service, credit officers should work closely with group facilitators to be able to better understand their clients and preferably know them by first name. This would certainly act as a catalyst as far as the CMS-RGB relationship is concerned.

**Accounting System Recommendations:** CMS presently uses the Sage Accounting Package for its dual entry loan tracking system.

Originally, the accounting system was maintained and managed by a CMS

**Evaluation Team's Key Concerns with CMS**

- No accountant in Lusaka CMS office
- Changing environment of accounting systems
- Lack of coordination with CLUSA's accounts tracking system
- No LAN system in Lusaka
- High staff turn over
- Improper hand-over
- Field credit officers under staffed and having limited resources
- After four years of managing donor funds (EU and USAID) CMS still seems to be in a start-up phase.
- Lack of ongoing staff training
- Lower than acceptable loan recovery rates

accountant. However, following her departure from the company, no proper hand-over was conducted and the person taking over did not have sufficient training in the software package. According to CMS, there was some missing information when conducting the hand-over.

Discussions with CMS reveal that Sage has some inherent problems. An entry cannot be deleted and instead a reversal has to be entered into the same worksheet. The lack of communication between CMS and CLUSA when entering details has led to a variation between the accounts of both parties.

A new package 'Brilliant Accounting', funded by USAID, is to be put in place. The new package will be compatible with the automatic loan tracking system and double entry will not be required in future. Entering data into Brilliant

will automatically be stored in the loan tracking system, which will certainly reduce errors in double entry. However, when the new system is introduced, measures should be taken to ensure that sufficient training is given to the operators.

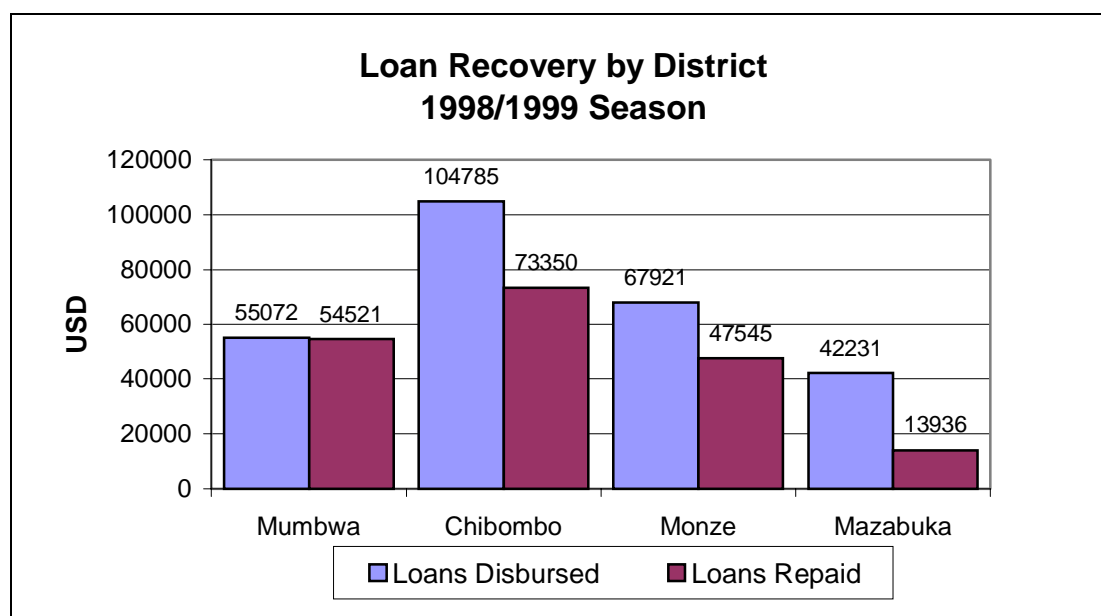
The evaluation team is aware that the CLUSA marketing department and CMS work closely together. The introduction of a shared computer system such as a Local Area Network (LAN) is necessary and would ensure that both parties work on the same information. The CMS Kabwe office already has a LAN system in place.



**Loan Fund Recommendations:** The graphs (Figure 22) provided in this section indicate that if actions are not taken by CMS towards reducing the default rate, the loan capital fund will be exhausted in the next few years. CLUSA and CMS should work together in identifying areas where loan repayment rates are low. Every effort should be made towards the collection of debts and as a rule, CLUSA should not operate in these areas.

Operating in high default areas will lead to an exhaustion of funds and a reduced amount lent out to farmers. This will mean a reduction in the form of inputs to the farmers and a lower income resulting in a move away from the SO1. In addition, this is a barrier for the expansion of CLUSA in other districts.

Credit Officers need to be trained and alternative methods of payment should be looked at when attempting to recover money from defaulting RGBs. The incentives that are in place for RGBs who pay early should be communicated to them. In addition, other incentives should be introduced.



**Figure 23:** Source: CLUSA

**Accountant Recommendations:** CMS have a large portfolio under their belt and have one accountant who manages the accounts of all clients. The evaluation team feels that additional accountants should be recruited by CMS. The Lusaka office is a starting point. The amount of activity that is occurring in Lusaka substantiates the need for an additional accountant.

Although CMS has grown in terms of the number of staff it employs, very little of this increase directly relates to the CLUSA activity. Out of a total of approximately 77 staff, 10 people have responsibilities related to CLUSA. It is surprising that CMS has very few resources devoted to CLUSA when the CLUSA portfolio holds the highest

promise of helping CMS become a self-financing institution. CMS needs to give equal importance to CLUSA when compared to its own loan portfolio and the other donor-funded activities it supports.

#### **The Relationship of High Value Crops and Debt Recovery**

Most of CLUSA's farmers are primarily focused on food security issues. Income generation is an important matter to them but is subordinate to providing enough food to feed their families.

High value crops such as paprika, chilies and the newly introduced programs in fresh bean production allow farmers to generate the cash necessary to repay loans.

Since the credit history in this area is poor, there are few institutions providing agri lending in Zambia. There is an association sponsored by SIDA, by the name of Association of Micro Finance of Zambia, which has approximately 21 members. According to CMS, Country Services is the only other private sector institution that provides agri-lending and is a member of this association. Sources within Lusaka have indicated that County Services is financially weak and has reduced exposure to the sector. Most of the other members are donor funded.

Lonrho provides loans to cotton farmers in a similar way and their loan recovery rate is estimated to be between 50-60%. CMS are doing better than Lonrho in terms of loan recovery. However, improvements in their credit delivery system and internal organization structure are important for reaching targets and CLUSA sustainability.

#### **Strengths and Weaknesses of CMS**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• Linkage to client farmers through CLUSA</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of ongoing training and follow up</li> </ul>
<ul style="list-style-type: none"> <li>• Ability to monitor and collect debts</li> </ul>	<ul style="list-style-type: none"> <li>• High turnover of key personnel</li> </ul>
<ul style="list-style-type: none"> <li>• Geographic diversity</li> </ul>	<ul style="list-style-type: none"> <li>• Weak management control over information</li> </ul>
<ul style="list-style-type: none"> <li>• Familiarity with local business environment</li> </ul>	<ul style="list-style-type: none"> <li>• Knowledge is not institutionalized</li> </ul>
<ul style="list-style-type: none"> <li>• Limited competition in agri-lending</li> </ul>	<ul style="list-style-type: none"> <li>• Changing environment of internal controls and accounting systems</li> </ul>
<ul style="list-style-type: none"> <li>• Low cost of capital &amp; operational costs</li> </ul>	

CMS's primary strength lies in its ability to monitor debts regularly and limited competition in agri-lending in Zambia. Provided it overcomes its weaknesses, CMS has the capability of becoming a viable private sector lender, operating without subsidies. However, the evaluation team has an appreciation of the historical agri-lending environment in Zambia and understands the inherent difficulties in this industry.

## 8.0 The Policy Environment

### Government and Project Policy Interaction Cross-effects

#### Examples of How the CLUSA Model has Influenced Government and Donors

- In early 2000 IFAD announced that it would invest 18 million USD in its Small Holder Enterprise and Marketing Program. This activity is designed to facilitate the formation and strengthening of small holder enterprise groups as well as assist in the capacity building of local institutions to implement such activities. IFAD is interested in working with CLUSA as a way of strengthening NGO's that support farmer development activities.
- FINNIDA is currently designing a "sector investment program" with a specific focus on rural association/farmer group development in Luapula Province.
- Recently, The Agribusiness Forum submitted a proposal to MAFF offering assistance to National Small Holder Development Program. Forum members, including Amaka Holdings, ZAHVAC, LONRHO cotton and Clarke Cotton. The proposal can be regarded as recognition by these companies of the value of CF and the potential benefits from assisting their farmer groups with other crops.
- A Recent SIDA-NORAD Conservation Farming Unit evaluation report stated: "The DAPP-CLUSA-CFU association could prove a useful model on which to expand the program (ie. Conservation Farming Extension)."
- The Ministry of Agriculture has recently changed its extension approach from "Training and Visit" to "Participatory Extension Approach". USAID began supporting the participatory extension approach with CARE and CLUSA in 1996. MAFF now considers the T&V method as having a low cost-effectiveness, top down and inefficient at promote beneficiary involvement. According to MAFF "Most provinces have slowly evolved towards more participatory approaches that employ interactive dialogue and tend to involve local institutions and people in development planning and implementation."

#### How CLUSA Supports Zambian

**Government Economic Policy:** The primary objective of the agricultural policies set forth by government during 1999-2001 is to promote efficient smallholder agricultural production and increasing agricultural output and exports.

#### Government Policy Effect on

**CLUSA:** The key elements of the agricultural reform policy have been liberalization and decentralization, as input supply and crop marketing have been privatized and restrictions on domestic and international trade have been removed.

The government plans to provide support in remote parts of the country through its regular extension programs and rural infrastructure programs. The government plans to improve land administration, raise the quality of publicly funded research and extension services; improve rural roads; and repair and build new earth dams. Overall, these will have an effect on CLUSA in terms of improving conditions for farmers in rural areas. Government will receive technical assistance from The World Bank, USAID, FAO, Sweden, Finland and The Netherlands. CLUSA strongly supports the government's objective since the formation of RGB's and the training provided by CLUSA encourage increased agricultural production. The assistance that CLUSA provides in terms of inputs, marketing and distribution further emphasize this.

**CLUSA's Effects on Government Policy:** MAFF has adopted the farming methods introduced by the CFU. An example of how CF is being introduced into the MAFF system is the training of MAFF extension agents at the Monze Farmers Training Center (FTC). CLUSA Lead Contact Farmers and MAFF extension agents learn CF at the FTC and then train farmers in the field. MAFF has introduced the Farmer Field School (FFS) method as well. This is a hands-on teaching method used by CLUSA and CFU. This method stresses farmer participation. In FFS the farmer does the actual work of preparing the soil, fertilization, planting, cultivation, etc. Proper timing of inputs is stressed, as is proper planting dates. The Zambia College of Agriculture (Monze) is also involved in training extension agents and Lead Contact Farmers in CF methods. Similar government / CLUSA/ CFU collaboration in training is taking place in other districts where CLUSA is working, as well as in non-CLUSA geographies.

### Policy Constraints

Some of the key policy bottlenecks and concerns follow:

- Policy consistence is critical to the efficient development of the agribusiness sector and the Zambian economy in general. Above all, the business community does not like to be surprised. When governments change policy from year to year, business planning becomes difficult and this translates into increased business risk. When firms feel they are operating in a high risk environment, they are unlikely to make new capital investment or expand the scope of their operations. This is not good for Zambia's economy.
- The policy of tariffs on transportation of grain that are charged by the local councils in each district is a concern. To the local government, these tax revenues are an important source of income but to a small farmer (RGB member) they are considered a tax burden that cuts into his/her net income. Admittedly, this will be a difficult tax to reduce or remove, however CLUSA and the ZNFU should work together to educate local and national government as to the burden this tax places to small rural farmers.
- The Food Reserve Agency's current uniform pricing fertilizer credit program is sending mixed signals into the regions where CLUSA is operating. When RGB member farmers see non-members getting FRA fertilizer on credit and then often not repaying that credit, it undermines the foundation on which CLUSA is based, that is responsibility and honoring debt obligations. Also the uniform pricing policy for the fertilizer is a market/price distortion

## 9.0 Lessons Learned

### Linking Small Farmers to Agribusiness

The CLUSA project plays an important economic and operational role in developing new raw product supply sources for agribusiness processors, consolidators and exporters. In the agribusiness sector worldwide, the availability of raw product is one

of the primary factors in determining a company's operational efficiency and capacity utilization. When firms suffer from a limited supply of raw product, their plant (fixed capital) operating hours decrease, causing a decreased or lowering of their finished product output. This results in lower sales revenue, lower profits and lower capital investment. In developing agribusiness economies, raw product availability is often the single largest limiting factor in a company or sector's growth potential.

With its linkages to agribusiness, CLUSA is providing the vital connection between new raw product sources and value-added processors and exporters. Raw product is the fuel that drives these processing and export firms. The CLUSA project through its work in new crop and market development, helps provide these firms with the key raw product elements that allows them to be profitable and grow.

A second very important benefit that the CLUSA project is providing to the farmers and the agribusiness community in Zambia is "business risk mitigation". Product and market development is a high-risk activity for farmers and businesses worldwide. Through its work in developing new crops and markets, CLUSA is reducing risk to its farmer and agribusinesses.

A good example of this can be seen in the development of small holder paprika farming. Before CLUSA became involved, paprika production was only done by a few large commercial farms in Zambia. Through CLUSA's efforts, small farmers were organized and trained in paprika production. At the same time, the project linked these farmers to buyers, processors and exporters. This activity has been very successful in profit terms for the farmers and agribusinesses. CLUSA's work in small farmer paprika production has been the driving force in the development of this industry in Zambia. The project has moved the sector from one which benefits a few larger growers to a sector that benefits thousands of small growers. On the agribusiness side, CLUSA's work has brought significant new capital investment to the sector and increased the number of firms operating in it. By taking on some of the early-risk in this sector's development, CLUSA has proven itself to be an effective catalyst in creating economic expansion, increased profits and increased capital investment.

Once risk of market entry is reduced for any given agribusiness, CLUSA should look for ways of shifting more risk on to the agribusiness sector so it can use its resources to develop new opportunities for farmers, processors and exporters. One way to do this is to have the processor co-finance agri-production loans to the small farmers they are in contact with. In this way CMS would take part of the risk on HVC loans and the buyer would take part of the risk. Paprika processors/exporters have already been introduced to this idea and have agreed "in concept" to its future use. By reducing risk exposure to CMS in paprika, CMS could then move more of its loan capital resources into other HVC's such as coffee and fresh export vegetables that have a high potential for profits and debt recovery.

**Improving Project Effectiveness and Planning Through Lessons Learned:**

**Lesson One:** RGB's are an effective conduit to provide training and information to rural populations. They also allow for a supply-side economy of scale large enough to serve the needs of the Zambian agribusiness community.

**Lesson Two:** Farmers need to understand the concept of credit history. Interest rates need to be tied to risk. If a RGB has had problems repaying loans in the past, the risk is higher and this should be calculated into a higher interest rate. On the other hand, if a RGB has a good credit history, they should be rewarded with lower interest rates, down payment requirements and other incentives.

**Lesson Three:** It is not a good idea to allow a non-profit project (such as CLUSA) to choose the markets in which a private credit provider firm (such as CMS) must do business. The for-profit firm needs to make the decision of who they will loan to, where and under what terms and conditions.

**Lesson Four:** Cut your losses. Don't throw good money after bad, especially in the Zambian micro-credit sector.

**Lesson Five:** CF farming works and should be promoted.

**Lesson Six:** It is important to have a well designed – systematic internal M&E system.

**Lesson Seven:** Avoid geographies where other donors and government projects have focused in the past. It has been found that farmers in these areas have a higher credit risk than farmers who have had lower exposure to government and donor programs.

**Lesson Eight:** Stay off the road; there also seems to be a somewhat positive correlation between the distance a RGB is from a main (tarmac) road and their willingness to repay loans. This observation was not proven statistically but a number of persons the team talked with during the evaluation believed this relationship existed, (it is worth some research).

**Lesson Nine:** Develop an internal mechanism to keep focused on deliverables.

**Lesson Ten:** Have clear channels of communication between implementing partners.

**Applying Lesson Learned to Future USAID Investment:** The lessons learned have broad implications in the areas of improving food security, rural income enhancement and natural resource conservation. The applications of these lessons need to begin at the earliest points in project design and carried through all stages of the project life cycle.

**Advantages of Ending, Extending and/or Expanding the CLUSA Project:** USAID has invested a considerable amount of time and capital in the CLUSA project. The

project has provided a good investment for USAID, returning 1.35 million USD in marginal income to RGB members from 1.16 million USD invested in 1999. The advantage of expanding the project is that future investment builds on past successes and should result in an increasing contribution to SO1.

From a cost effectiveness standpoint, it would make sense to saturate the markets that CLUSA is already operating in before expanding into new geographies. The decision of when a market is saturated should be made jointly by CLUSA, CMS and CFU. If a market is deemed saturated, then CLUSA and its implementing partners should explore new markets.

To end CLUSA after four or five years of operation would not be a good use of funds or a rational strategy. CLUSA has proved be meeting SO1 goals and as long as these objectives remain “increasing the incomes of selected groups” CLUSA will have a contribution to make to USAID Zambia’s goals.

**Disadvantages of Ending, Extending and/or Expanding the CLUSA Project:** If CLUSA ended completely in project year 4 or 5, it would be a poor use of USAID resources given the Mission’s SO1.

Given the high default rates in some areas, it is understandable and correct to reduce activity or pull out of these areas. This should be a commercial decision made by CMS or any other private credit provider in concert with CLUSA and CFU.

### Developing a Dialogue with Government, Donors and the Private Sector

**Communicating Lessons Learned To Key Decision-Makers:** Since CLUSA is seen as a role model by many, it is important for both CLUSA and USAID to effectively communicate the lessons learned to the key decision makers. CLUSA could achieve this by working in cooperation with other interested donors, the private sector and the Government of Zambia.

## 10.0 Recommendations

### CLUSA

- **Privatize marketing department:** Develop a business plan for the privatized CLUSA marketing department. CLUSA should undertake this activity before the start of the next planting season. Once the business plan is completed and agreed on by CLUSA and its implementing partners, training needs to begin with the farmers in areas such as district level organization, corporate governance and shareholders rights.
- **Gender issues:** Identify new strategies that increase the number of women involved in the project and give them a greater voice in the decision making process. To do this CLUSA may want to consider setting aside a budget line-item for women’s activities. This would help institutionalize gender activities in the project’s administration.

- **Increase focus on HVC's:** as a way of increasing income and improving loan recovery. Expand into new geographies to allow the production of coffee, vegetables and other HVC's. Document a four year (to end of project) strategy of how CLUSA will increase its portfolio in HVC's. Identify specific markets, crops and geographies with the greatest potential.
- **MIS:** Update MIS systems and improve staff skill levels through training. Empower more staff to have access to and knowledge of how to use available data. Install LAN to share information between CLUSA and CMS.
- **Increase RGB income generation opportunities:** If CMS improves credit management and recovery, expand credit system to allow RGB to receive loans to sell input and buy outputs of non-member farmers. Use this credit option as an incentive to repay crop loans.
- **Improve record keeping and data /project documentation.** Develop key data tracking system and assign a local staff person to this task, support them with outside consultant if necessary.
- **Co-financing plan:** Together with HVC buyers develop a risk sharing strategy whereby the buyer starts to take on credit risk of certain HVC's such as paprika. This needs to be done in close collaboration with agribusiness, timetables and credit terms need to be clearly spelled out. This would diversify credit risk and shift risk away from CMS and on to buyers.
- **Social-economic study:** Undertake a study to identify the key social and economic factors that contribute to a high probability of loan recovery by CLUSA/CMS. Develop an analytical debt recovery forecast model based on social-economic factors. This will allow CMS/ CLUSA to predict loan recovery rate base on a number of variables.

## CMS

- **Interest rate policy:** Base interest rate on RGB's credit history. Develop a clear and consistent interest rate / down-payment policy and communicate this to the clients in writing. Use credit history as incentive for RGB's to repay debt.
- **Cut losses:** Continue to drop loan program to non-performing RGB's and/or increase interest rates based on credit history.
- **Business loans to RGB's:** Re-introduce non-crop agri loans after CMS becomes better organized internally and improves recovery rates.
- **Upgrade MIS system:** Install LAN system for CMS and CLUSA and improve staff skill levels.
- **Recruit accountants:** The CMS accounting department is understaffed.



Additional accountants need to be recruited, giving first priority to the Lusaka office.

- **Train credit officers:** in customer service and give equal importance to all RGB's irrespective of loan recovery rate. Make client calls to each depot not less than once every 90 days.
- **Give equal importance** to CLUSA and remaining portfolio in terms of resources (CMS is working with other donors and these programs compete for management resources relative to CLUSA).
- **Increase number of field staff:** to better cover CMS/CLUSA areas.
- **Increase RGB transparency:** by placing poster boards at depots or other locations which list names of members and outstanding debt
- **CMS audit:** After the end of the current harvest season (end August) USAID should employ a professional accounting firm based outside Zambia to audit the CMS accounts.
- **Credit Facility Contingency Planning:** CLUSA together with USAID should develop a concept paper followed by a written contingency plan that lays out an alternative to the CMS credit facility. Having an efficiently functioning credit facility is essential to the success of CLUSA. The CMS track record to date with CLUSA and other donors cause the evaluation team some concern. CMS operations and performance need to be monitored closely and if it is not reaching its target objects, CLUSA/USAID should look for an alternative credit delivery system sooner rather than later.
- **USAID /CMS Exit Strategy:** USAID and CMS in concert should develop a long-term strategy that will provide a road map for the development of CMS into a profitable private credit provider to small farmers over a set period of time. Target deliverables need to be reset from those found in the 1997 CMS/ USAID Cooperative Agreement. The new targets should change each year, requiring CMS to improve its performance over time. The new targets should be structured so that CMS is rewarded more for high loan recovery rates and less for low loan recovery rates. The goal is to reduce USAID subsidies to CMS overtime and help it become a viable private credit provider, operating without subsidies. .

#### **Conservation Farming Unit**

- **Provide funding:** to Conservation Farming Unit (\$200,000), and ask the CFU to provide 8 full time extension agents to CLUSA, at least half of which should be women. By funding CFU, USAID would mitigate the risk of default by farmers on CMS loans, thereby protecting USAID's capital investment in CLUSA and CMS.

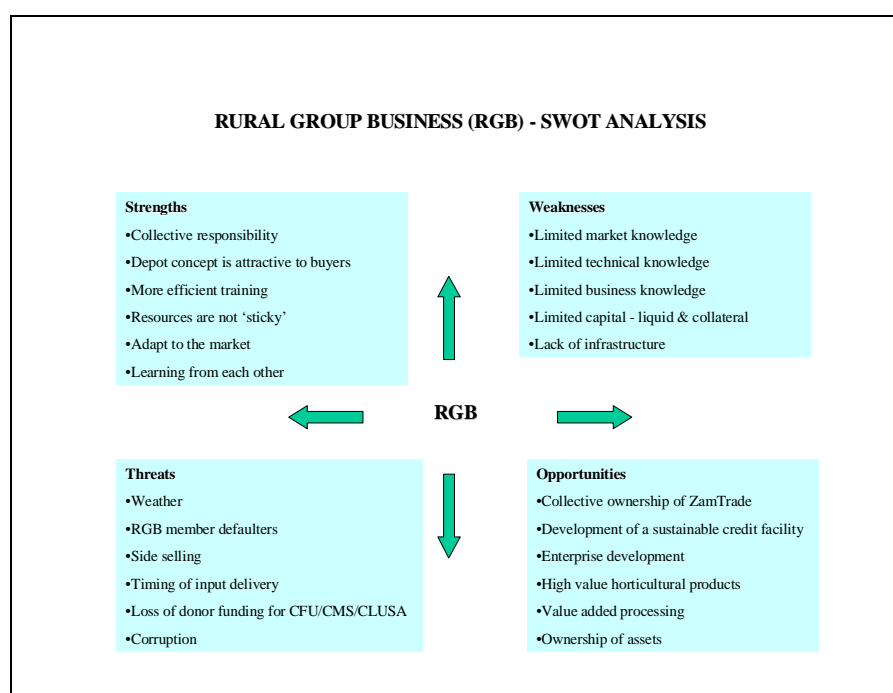
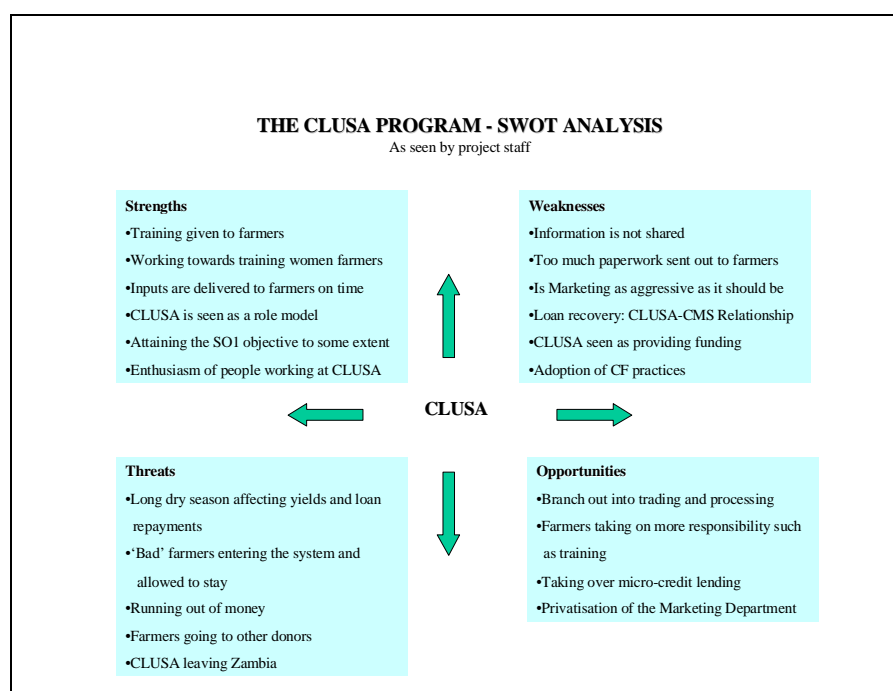
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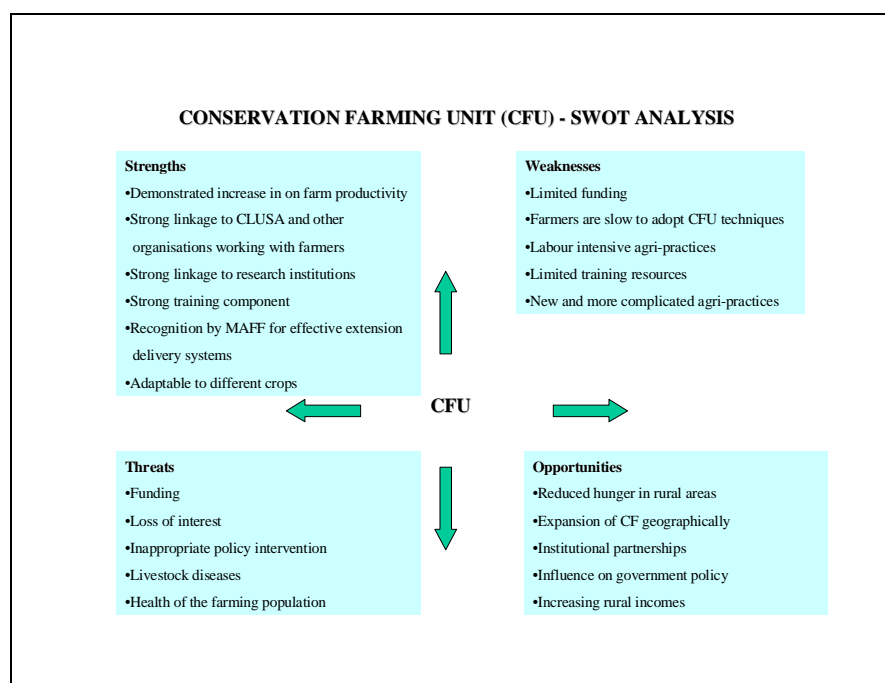
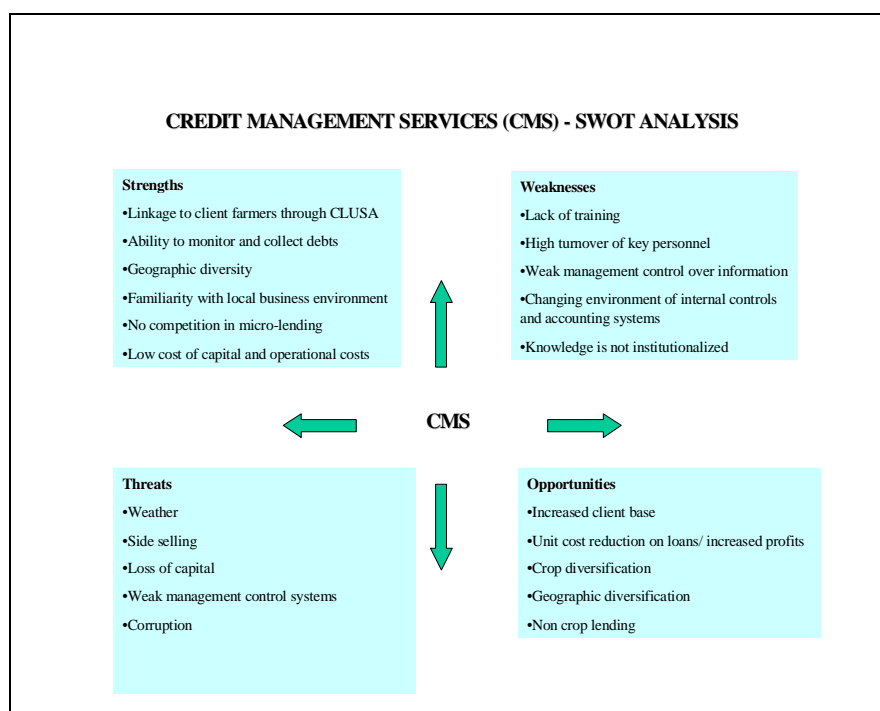
- **Re-set cooperative agreement target deliverables:** In concert with CLUSA, set performance targets (debt recovery, staffing numbers, training) for CMS. These targets should be structured so that targets for loan recovery rates, staff training, number of credit officers, etc. increase on an annual basis.
- **Develop contingency plan** (soon) in case CMS continues to under perform in debt recovery. Explore option of setting up a private and autonomous credit facility that manages the loan fund.
- **Funding:** Fund LAN system for CLUSA/CMS and training to use it. Fund email system and training to both CLUSA and CMS field staff. Fund Conservation Farming Unit and set into the funding agreement that CFU will provide eight local CF extension staff to CLUSA on a full time basis.

**Annex**

<b>Annex</b>	<b>A</b>	<b>Project Components SWOT Analysis</b>
<b>Annex</b>	<b>B</b>	<b>Policy and Macro-Economic Influences</b>
<b>Annex</b>	<b>C</b>	<b>CLUSA Outgrower Scheme Conceptual Framework</b>
<b>Annex</b>	<b>D</b>	<b>Information Flow in CLUSA-RGBP</b>
<b>Annex</b>	<b>E</b>	<b>RGB Outgrower Program</b>
<b>Annex</b>	<b>F</b>	<b>Contact List</b>
<b>Annex</b>	<b>G</b>	<b>CLUSA Project Evaluation SOW</b>

## **Annex A          Project Components SWOT Analysis**





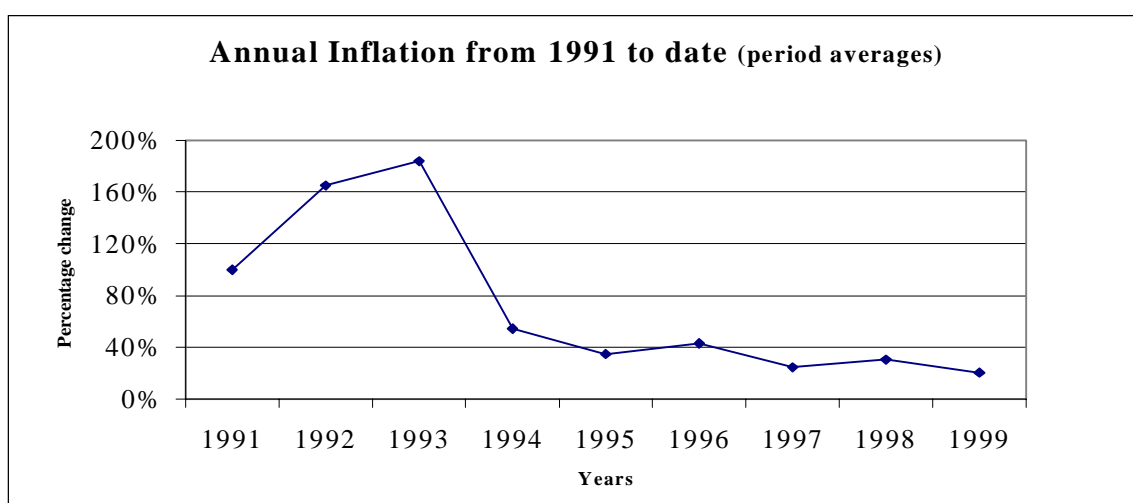
## **Annex B Policy and Macro-Economic Influences**

## Policy and Macro-economic Influences

Following the political changes in 1991, the Government embarked upon a program of market-based reforms with support from the IMF, the World Bank and major bilateral donors. Key elements of the reform program include:

- Deregulation of agricultural marketing;
- Liberalization of exchange controls and the exchange rate;
- Liberalization of international trade;
- New investment regulations;
- Liberalization of the banking sector;
- Establishment of a Stock Exchange, and supporting regulatory framework;
- Taxation reform;
- Public Sector reform; and
- Privatization.

In the early years post 1991, substantive progress was made in implementing these reform measures. Apart from reverses caused by severe drought in 1992 and the delay in the sale of the mines, the country seems to be well on the way to a sustained period of growth against a stabilizing macro-economic background. The economy is growing, inflation has fallen to 20.6% from previous highs of 184%. Inflation fell from 30.6% at the end of 1998 to 20.6% at the end of 1999.



Source: PricewaterhouseCoopers

As can be seen, the economy is making steady progress towards controlling inflation. In addition, in nominal terms, the Kwacha depreciated against the United States dollar by 14.7% in 1999 which means it performed better in 1999 compared to 1998 when it depreciated by 64.5% against the United States dollar.

There was a marked improvement in the Zambian economy in 1999 compared to 1998. In 1999 the GDP grew by 2% in contrast to a decline of the same magnitude in 1998. In 1999 all sectors of the economy grew except mining.



The 2000 Budget address delivered to Parliament on 28 January 2000 by the Minister of Finance, Dr Katele Kalumba, indicated that agriculture and manufacturing enjoyed reasonable growth last year and will enjoy further support through changes in the rate of duty on various inputs.

In particular, the 2000 economic measures that will have an impact on the agriculture sector are as follows:

- Government will introduce measures to reinforce prudent supervision of banks and other financial institutions to enable the country's central bank, Bank of Zambia, to deal decisively with those that fail to comply with prudential and regulatory requirements.
- Support is to be provided to the Food Reserve Agency (FRA) to facilitate the purchase of produce (from farmers in disadvantaged areas who are not currently serviced by private traders) for strategic reserves.
- Concessional loans are to be made available to small-scale farmers for input procurement.
- Certain agricultural inputs will have duty removed and certain horticultural inputs will have duties reduced from 25% to 15%.
- The Common Market for Eastern and Southern Africa (COMESA) free trade area is to be implemented on 1 November this year but the application of zero tariff rates will be on a strictly reciprocal basis.
- Funds, loans and development credits provided by donors will be zero-rated.

This year, agriculture is expected to be promoted through a renewed commitment by the private sector in input procurement and distribution, and crop marketing. In addition, the Government will make concessional loans available to small-scale farmers for the 2000/2001 season with the support of the World Bank.

Further incentives have been put in place for the agricultural, manufacturing and tourism sectors. For the agricultural sector, it is proposed that:

- Duty on animal embryos, bovine semen, and fishmeal be reduced from 5% to 0%
- Duty on greenhouse plastic sheeting, tubes, pipes and hollow profiles be reduced from 25% to 15%.

### Summary of Key Economic Indicators

Economic Indicators	2000 <sup>5</sup>	1999	1998
GDP Growth	4%	2%	-2%
Inflation Rate	17.3%	20.6%	30.6%
Exports	Na	USD\$ 753 million	USD\$ 858 million
Imports	Na	USD\$ 939 million	USD\$ 1,017 million
Balance of Payments Deficit	1.3% of GDP	USD\$ 185 million	USD\$ 275 million

Source: Budget Speech, 2000/1999

### Agriculture Sector Analysis

Agricultural output increased by 13.8% due to increases in the production of maize, rice, mixed beans, seed cotton and soybeans. The contribution of agriculture to GDP also increased from 16.4% in 1998 to 18.3% in 1999. However, the performance of livestock production was unsatisfactory due to disease outbreaks.

In this year's budget, 0.4% of the total estimated expenditure of K2,956.99 billion will be spent on the Food Reserve Agency (FRA). This is a reduction of K2.08 billion (0.13%) when compared to last year's expenditure on the FRA.

### Manufacturing Sector Analysis

The manufacturing sector reported a growth of 2.8% in 1999. Food and tobacco sub-sectors contributed in part to this growth.

Although the budget reported growth in both sectors, the major stakeholders, Zambia National Farmers Union (ZNFU) and Zambia Association of Manufacturers, are at variance with the budget. It is important that consistent reports are received in both these sectors since they are both vital to the potential growth of the Zambian economy.

Following the recent completion of the privatization of the remaining assets of the Zambia Consolidated Copper Mines (ZCCM), it is expected that agriculture, mining and manufacturing will be a big impetus in growth in the economy.

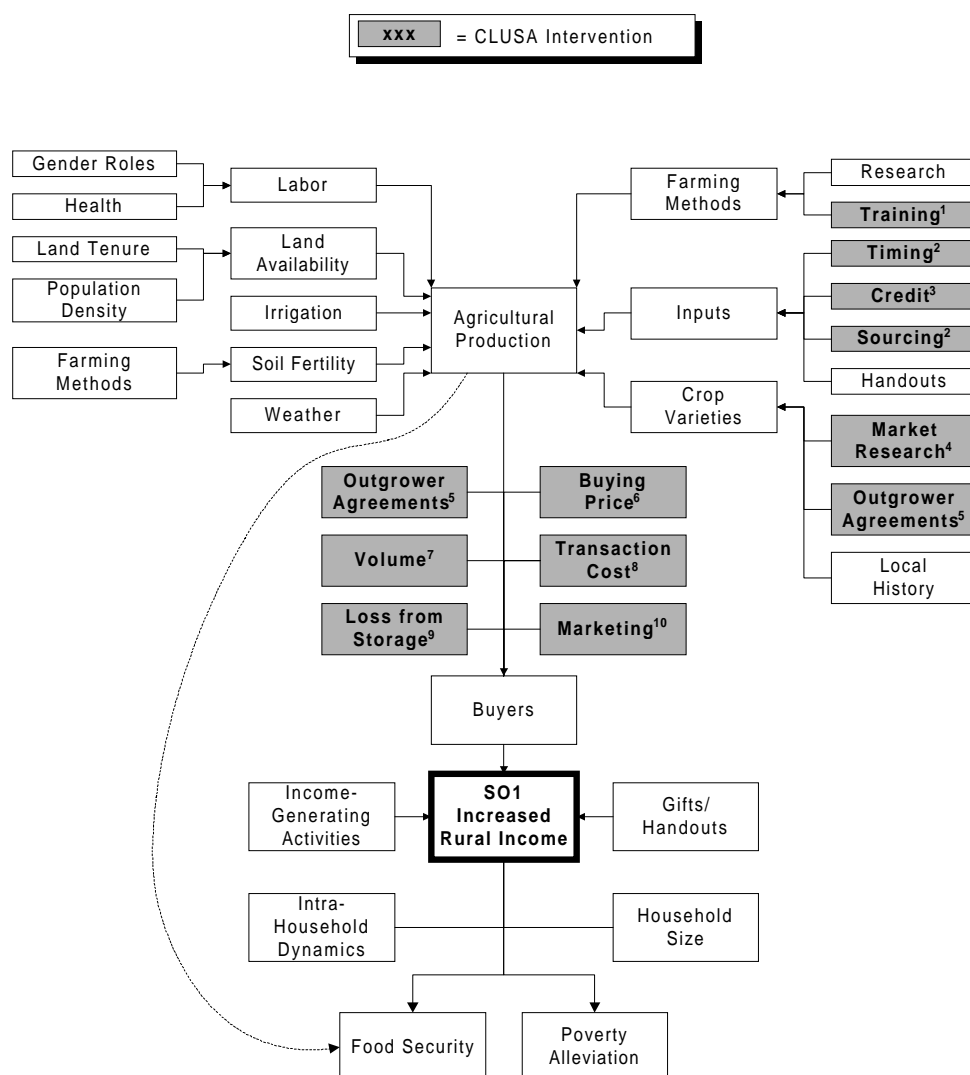
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<sup>5</sup> Estimated figures

## **Annex C CLUSA Outgrower Scheme Conceptual Framework**

## CLUSA Outgrower Scheme Conceptual Framework

*CLUSA Mission: To raise the rural income of selected groups*

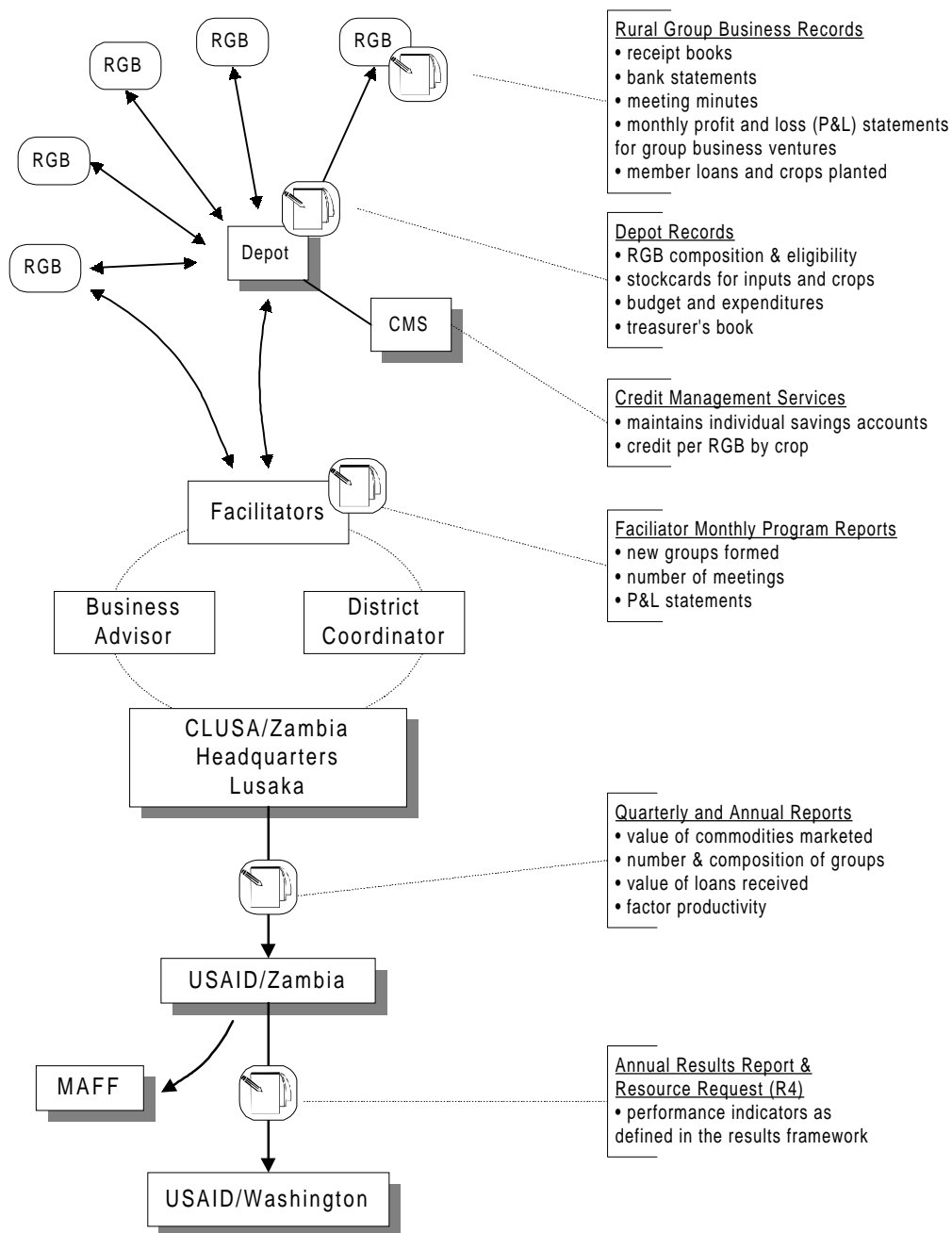


### CLUSA Interventions

- 1 CLUSA extension staff provide training in conservation farming
- 2 CLUSA headquarters locates sources for appropriate inputs and arranges for delivery in a timely manner
- 3 CMS provides micro-loans for inputs
- 4 CLUSA marketing unit researches crop varieties in demand
- 5 CLUSA facilitates pre-season outgrower agreements between depots and agribusinesses
- 6 Through collective representation depots are able to negotiate a higher buying price for their crops
- 7 Through depots agribusinesses are able to buy sufficient volume to make the transaction worthwhile
- 8 Depots act as collection points thereby reducing transport costs
- 9 Because sales are prearranged, minimal crops are loss in long periods of storage
- 10 CLUSA marketing unit locates buyers for depots

## **Annex D Information Flow in CLUSA – RGB’s**

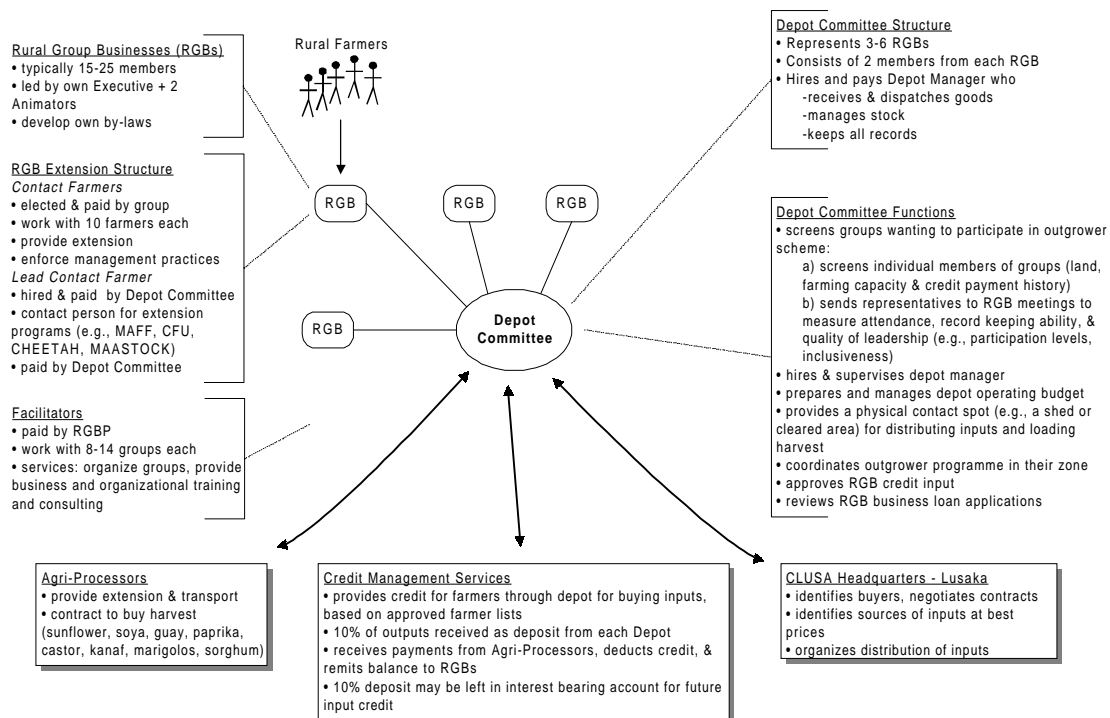
### Information Flow in the CLUSA Rural Group Business Program



graphic by Andy Lyons  
 USAID/Zambia  
 September 1998

## **Annex E RGB Outgrower Program**

## Rural Group Business Outgrower Program



graphic by Andy Lyons  
USAID/Zambia  
September 1998



## **Annex F Contact List**

**LIST OF KEY CONTACTS****USAID, Lusaka – Tel: 260-1-254303**

David Soroko	Agricultural Development Officer
Cris Muyunda	Project Management Specialist
Morse Nanchengwa	Agricultural Specialist
Susan Gayle	Project Officer

**CLUSA – Lusaka, Tel: 260-1-235747**

Ronald Phillips	Project Director
Mike Mailloux,	Assistant Project Director
Olusegun A. Yerokun,	Program Manager
Charity Lubinao	Crop Extensionist
Mike Sikaceya	Marketing Specialist
Susan Parker	VSO Volunteer
Blandinah Chimbwali	Literacy Training Specialist

**CLUSA - Mumbwa District**

Victor Nglandu	Facilitator
Kenny Silwimba	Facilitator
Kalumpamba	Depot
Kapyanga	Depot

**CLUSA - Chibombo District**

Sebastian Kasado	Facilitator
Lubundi	Depot
Chipili	Depot

**CLUSA - Mazabuka and Monze District**

Thomas Chanza	District Coordinator
Elizabeth Katanga	Facilitator
Peter Tembo	Facilitator
Chidamweenda	Depot
Kuyuni Village	Depot
Sikabenga	Depot
Humobuchi	Depot

**Credit Management Services, Lusaka – Tel: 1-235747/ 250830**

George Sikazwe	Director
Fred Chabala	Chief Accountant
Brenda Sinnott	CLUSA Division Manager
Justin Musole	Administrative Assistant CLUSA Division
Lawrence Muchindo	Administrative Assistant CLUSA Division
Ernest Buleil	Credit Officer, Monze District
Royvynn Hamoonga	Credit Officer, Chibombo District

**Cheetah Zambia Ltd, Lusaka – Tel: 1-287661**

Mark Terken

Director

Robert van Otterdijk

Quality Assurance Manager

**The ASIP Consultative Forum Secretariat (ACFS), Lusaka – Tel: 01-260767**

Bobi K. Nebwe

Program Officer

**Zambia Agribusiness Technical Assistance Center (ZATAC)**

**Lusaka –Tel: 01-263512**

Ivan Stubbs

Accounts Executive

**Famine Early Warning Systems/ ARD, Lusaka – Tel: 01-262750**

Chansa G. Mushingwe

Assistant FEWS Field Representative

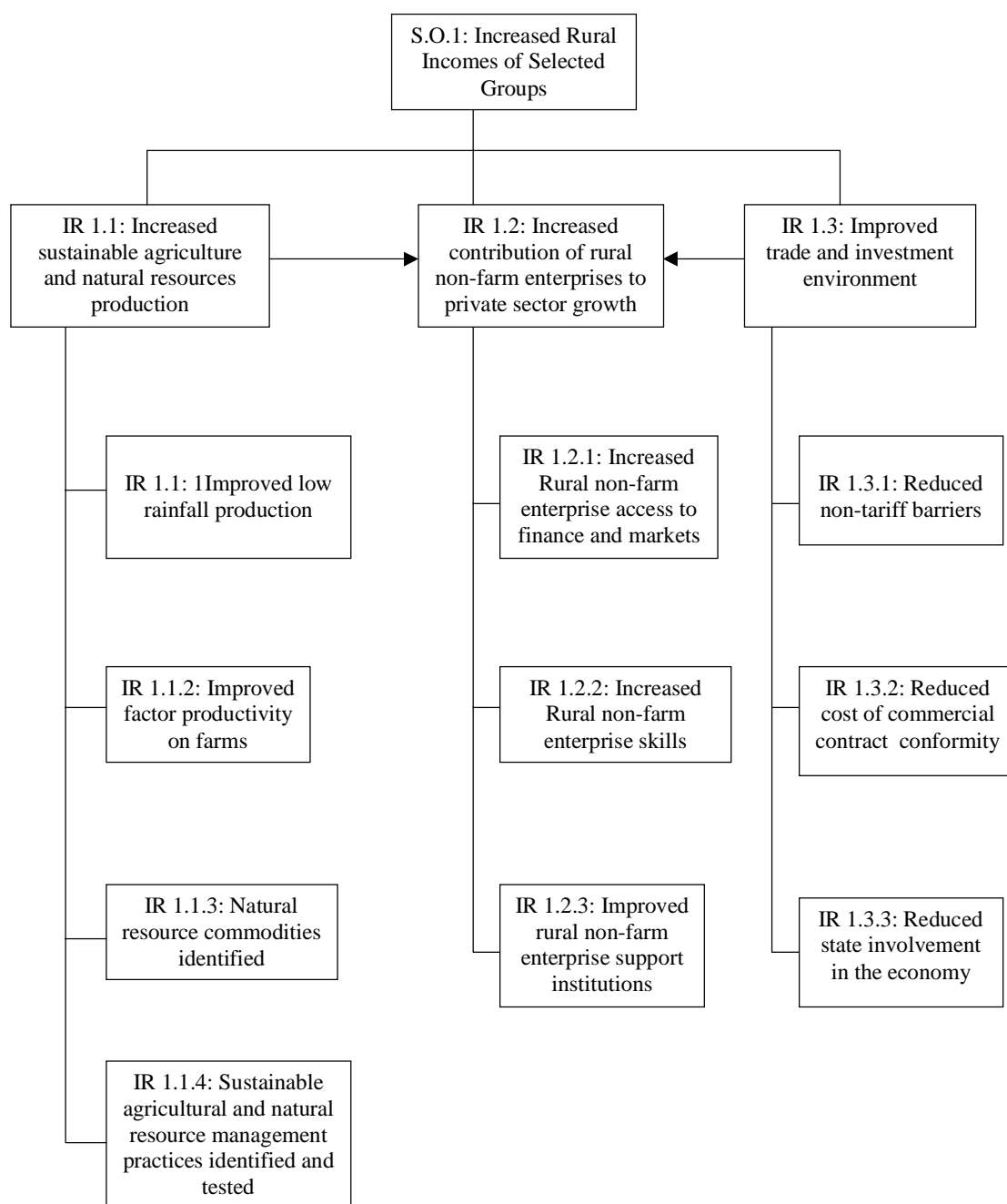
**Conservation Farming Unit, Lusaka – Tel: 01-265455**

Peter Aagard,

Director

## **Annex G SO1 Results Framework**

## Results Framework



## **Annex H CLUSA Project Evaluation SOW**

**Concurrent Evaluation of Three of USAID/Zambia Activities:**

- 1) **Cooperative League of the USA Rural Group Business Program (CLUSA/RGBP);**
- 2) **CARE Livingstone Food Security Project (CARE/LFSP);**
- 3) **Wildlife Conservation Society's Administrative Management Design Project (WCS/ADMADE)**

**STATEMENT OF WORK****Article 1. Introduction**

With regard to the three projects identified in the title of this statement of work, USAID/Zambia would like to find out whether investments in profit oriented farmer group businesses (CLUSA), food security oriented village management committees (CARE), and wildlife conservation oriented village action groups (WCS) have had or are having a beneficial impact. If so, USAID/Zambia would like to identify the elements of successful investments that can be replicated to improve ongoing or future investments. Finally, if an investment were not achieving the intended results, USAID/Zambia would like to know how to reorient that investment so that it does achieve the intended results.

In support of Zambian economic liberalisation, USAID/Zambia has initiated and supported activities that stimulate rural economic growth since 1991. Under USAID/Zambia's Country Strategic Plan for the 1998 - 2002 period, Strategic Objective 1 (SO 1) is "increased rural incomes of selected groups." Approximately 6 million of Zambia's 10 million people live and work in rural areas.

SO 1 investments aim at increasing the incomes of rural families working together as farmer group businesses, village management committees or village action groups. Hopefully, rural families working as groups will result in more cost effective (and less risky) technology dissemination, training, rural finance, output marketing and wildlife management service delivery. Lower service delivery costs will contribute to more sustainable, customer responsive and profitable service delivery agencies. Finally, more sustainable and profitable service delivery will result in increased rural family opportunities to improve their productivity and incomes.

USAID/Zambia recognizes the importance of Zambia's macroeconomic and sectoral policy environment. Investments that focus on reducing service delivery costs and raising rural family productivity are likely to identify and lead to the resolution of "second generation" policy constraints. USAID/Zambia investments ground truth neo-classical economic theory based predictions about market driven resource allocation and use and hopefully generate ideas on how public and private institutions can best contribute to improved rural family welfare. USAID/Zambia regards its service provision investments as applied research.

Actual SO1 activities spring from rural family problem and opportunity identification. They are intended to encourage rural family contributions to solving their social or economic problems, enhance women's contribution to rural economic growth and encourage government food security and rural finance policies that promote private initiative.

During the April – May 2000 period three of SO1's projects will be evaluated. CLUSA/RGBP and CARE/LFSP are earmarked for mid-term evaluations while the WCS/ADMADE evaluation will be an End of Project Evaluation.

As the result of an unsolicited proposal from CLUSA, the Rural Group Business Project began in May 1996. This 5 year, \$5 million activity promotes the emergence of democratically self-managed, financially viable group businesses that improve rural family incomes. Since its inception CLUSA-RGBP has modified its group business development approach. It now focuses specifically on small farmer high value crop production usually under forward contract to agro-processors. CLUSA-RGBP credit provision is almost entirely for seed and fertilizer.

Another unsolicited proposal, this time submitted by CARE International, resulted in the Livingstone Food Security Project. This 5 year \$3.6 million project began in July 1996. The project promotes community institution management of drought resistant crop seed multiplication and distribution, soil conservation, water harvesting, marketing, and some income generating activities. As a result of CARE's activities rural family food stocks have increased in some of Zambia's most drought prone areas.

The third project to be evaluated, as an end of project evaluation, adds a bit of complexity to this activity. Since 1989 USAID has supported Zambia's Administrative Management Design (ADMADE) Project and the National Parks and Wildlife Service with funding made available through the Regional Natural Resources Management Project. Funds were initially managed by USAID's regional office in Harare but eventually project management was vested in USAID/Zambia with funding obligated through bilateral project agreements. Over the 10 years of project life, implementation vehicles included a grant to the World Wildlife Fund, funds made available directly to the National Parks and Wildlife Service through Project Implementation Letters, short-term technical assistance in Wildlife Conservation Revolving Fund capacity building and, finally, since October 1998, a Cooperative Agreement with the Wildlife Conservation Society of New York as the result of an unsolicited proposal. The WCS activity, entitled the ADMADE Sustainability Project, was a 15 month, \$.461 million activity that ended on December 31, 1999.

The overall 10 year RNRMP/ADMADE investment sought to introduce and develop the idea of community wildlife management in Zambia, including use of village wildlife scouts and the sharing of hunting revenues with protected area communities for their use in improving their livelihoods. Community involvement in wildlife management is now a stated national policy although the Zambian government's wildlife institutions are currently in a state of significant transition. The WCS



ADMADE Sustainability Cooperative Agreement was intended to document ADMADE lessons learned and research findings hopefully to inform future USAID, other donor and GRZ investments in wildlife management.

## **Article 2. Overall Orientation of the Consultancy**

The consultancy will comprehensively assess the three projects. USAID/Zambia would like each project evaluation to result in a separate evaluation report. However, by evaluating the three activities under one contract USAID seeks lessons learned that may be applicable to all three project objectives (rural incomes, food security, wildlife management) in order to positively influence ongoing or future activities or investments. Therefore, a fourth report encapsulating lessons learned and describing their implications across activity objectives is required.

To the greatest extent possible USAID would like the evaluations to provide quantitative evidence of investment impact on rural incomes (CLUSA), food security (CARE) or wildlife management (RNRMP/ADMADE). Quantitative evidence should be presented over time to illustrate any growth or reduction in investment impact during project implementation. Where quantitative evidence is not available or relevant, qualitative descriptions of impacts and processes will be required.

With regard to CLUSA RGBP and CARE LFSP, the consultancy should assess project impact and identify ways to improve implementation, if necessary. The consultancy should recommend whether USAID/Zambia should consider extending, expanding or cutting short the projects. Finally, the consultancy should package relevant findings so that systemic or national level impact from evaluation lessons learned might be achieved with specific reference to the Zambian context.

The RNRMP/ADMADE evaluation in many ways is a traditional end of project evaluation. However, as laid out in the recent “Final Report: Assessment of Community Based Natural Resource Management (CBNRM) in Southern Africa” (August, 1998) ADMADE represents an opportunity for comparing the Zambian community wildlife management experience with other wildlife management lessons learned under RNRMP and throughout the world. The last 15 months of RNRMP/ADMADE has resulted in substantial empirically based information on the impact of ADMADE on communities and wildlife in 9 of Zambia’s 34 Game Management Areas. Finally, the CARE and CLUSA experiences may have something to say about how community capacity to manage natural resources, and the benefits accruing from natural resources management, can be increased. Again, the consultancy should package relevant findings so that systemic or national level impact from evaluation lessons learned might be achieved with specific reference to the Zambian context.

An external team, with appropriate local participation, will conduct the evaluation of the three projects. The team is required to respond, in concisely written reports, to all points and questions included in the scope of work.

### Article 3. Proposals, Evaluation Criteria

USAID/Zambia would like to use the Raising Agricultural Incomes in a Sustainable Environment (RAISE) Tier 3 process in awarding this contract. Contractors are required to submit their technical proposals (i.e. without costs) to USAID/Zambia. The proposals should include a draft version of the contractor's workplan, methodology and suggested personnel for conducting the assessment. The technical proposals will be graded according to the following criteria:

**Methodology:** Ability to: a) identify results desired under the project and generate quantitative indicators of project impact where possible and qualitative indicators where quantitative indicators are not possible; b) identify beneficiary perceptions of project delivered services and beneficiary participation in the project; c) generate information on partner or stakeholder perceptions of the projects; d) generate lessons learned across projects in line with scope of work questions; e) present findings in a use friendly and compelling manner.

**Total Points: 50 points out of 100**

**Personnel:** Appropriate professional training at the Masters of Science level or above, experience in evaluating USAID projects in agribusiness, food security, natural resources management or community mobilization, experience writing technical documents based on the compilation of field visit findings, experience in presenting evaluation findings in a user friendly and compelling manner, experience in Africa and experience in Zambia.

**Total Points: 30 points out of 100**

**Draft Workplan:** Ability to deliver a highly competent team to arrive and work in Zambia, all at the same time, over a period of five 6-day work weeks, conduct the evaluation in a way that comprehensively answers Scope of Work questions, and deliver the required deliverables by COB, March 3, 2000.

**Total Points: 20 out of 100**

Following receipt of proposals, USAID will review the documents and select a suitable offeror. Technical proposals should be sent to:

David Soroko  
SO1 Team Leader  
USAID/Zambia  
351 Independence Avenue  
Lusaka, Zambia  
Fax: 1- 254532  
E-mail: [dasoroko@usaid.gov](mailto:dasoroko@usaid.gov)

Cost proposals should be sent to:

Beatrice Lumande  
USAID/RCSA

Plot 14818 Lebatlane RD  
Gaborone West, Ext 6  
Gaborone  
Botswana

Fax: 267324486  
E-mail: [blumande@usaid.gov](mailto:blumande@usaid.gov)

End date for receiving both technical and cost proposals is March 3, 2000 at 12.00 noon.

#### **Article 4. Scope of Work**

Following is the scope of work for each project.

##### **4.1 CLUSA RURAL GROUP BUSINESS PROGRAM MID TERM EVALUATION**

###### **4.1.1 Background**

The five year, \$5 million Cooperative League of the USA (CLUSA) Rural Group Business Program (RGBP) began in May 1996. The project, currently working in four districts of Zambia (Mumbwa, Chibombo, Mazabuka and Monze), was aimed at promoting the emergence of democratically self-managed, financially viable group businesses that improve rural family incomes. Using fully costed credit for rural groups, CLUSA brought to Zambia its rural group development experience gained worldwide including West Africa. The Cooperative Agreement with USAID indicated that in five years 210 rural groups with a total membership of 9,450 farmers would have been participating in the program. During the five years of project implementation, cumulative credit of \$5 million would be disbursed to the groups whose membership would be 30% women. Also, at the end of five years, it was expected that 80% of the group businesses would have good managerial skills, access to in-house finance through accumulated profits, and regular and dependable access to inputs and markets.

###### **4.1.2 Evaluation Objective**

The primary CLUSA/RGBP evaluation objective is to determine whether USAID investments are achieving their desired impact, why or why not. A second objective is to generate ideas on how the impact of USAID investments in CLUSA/RGBP activities can be improved. A final objectives is to generate ideas on how CLUSA/RGBP experiences can influence ongoing or future USAID and other

institution investments in increasing rural incomes, improving food security, and managing natural resources.

#### 4.1.3 Evaluation Questions

1. What are the results identified in the cooperative agreement? Who are the beneficiaries? Have CLUSA/RGBP activities to date made progress in achieving those results? Why or why not? Present your findings with regard to annual results and impact quantitatively and using graphs where appropriate. Has the program made significant contributions to USAID's "increased rural incomes of selected groups" Strategic Objective in line with the SO's results framework?
2. How is the project implemented? What are the most important components of project implementation? How was the project's location identified? How much project financing is expended in Zambia (actual and percentage figures)? What percentage is expended in Lusaka and what percentage is expended in rural areas where CLUSA works?
3. Is the project demand driven? Do beneficiaries find it relevant to their circumstances? How does the project identify what the beneficiaries want? Is this approach effective in identifying what the beneficiaries want?
4. What are the most important services the project delivers to rural families?  
How  
were these services identified? How are they delivered? Are they delivered cost effectively? Is their delivery effective in Zambia's rural context? Could other institutions deliver these services if CLUSA did not? Could other institutions deliver CLUSA like services if they so desired? In terms of incentives, finance, personnel resources and other variables what would other institutions need to deliver similar services? Has CLUSA worked with local institutions to foster continuation and sustainability of programs and services when the project ends?
5. Is there significant participation by women in the rural group business program?  
Is the program beneficial to women participants? Why? How can more women participate in and benefit from the program?
6. What are the social and economic characteristics and organization of project supported group businesses? What are their relative strengths and weaknesses with regard to business capacity, income and investment management, relations with agribusiness, knowledge and utilization of agricultural technologies, and skill levels to undertake additional welfare enhancing activities? What additional skills may be required to make rural group businesses effective and self-reliant beyond USAID assistance?
7. Is the program well organized to allow for cost effective implementation?  
Does it

require any significant structural changes? Does the program offer opportunity for the establishment of sustainable group businesses development service delivery agencies beyond USAID assistance? Should it?

8. What partnerships with other public or private sector agencies has CLUSA/RGBP made that enhance project service delivery and impact? What partnerships might CLUSA/RGBP make that would improve service delivery and impact?
9. What has Credit Management Services contributed to CLUSA/RGBP project implementation? What are the strengths and weaknesses of CLUSA/RGBP's partnership with CMS for credit management?
10. Are there any significant policy constraints to program implementation? Is the program supportive of the stated Zambian government policy of agricultural liberalization and establishment of a private sector led economy? Has government policy influenced the program? How? Has the program influenced government policy? Why or why not?
11. What lessons learned during project implementation could lead to improved CLUSA/RGBP impact? What lessons learned should inform decisions on project time and finance extension or expansion?
12. What lessons learned during project implementation might influence ongoing or future USAID investments in food security, rural incomes or natural resource conservation?
13. What are the advantages and disadvantages, particularly to beneficiaries and USAID, of extending, expanding or cutting short the CLUSA/RGBP Cooperative Agreement?
14. Given the responses to the above questions, how can USAID/Zambia best utilize lessons learned from the implementation of this activity to inform government policy dialogue and future government, donor or private sector investments?

#### 4.1.4 Performance Reports and Previous Project Assessments

As required in the Cooperative Agreement, CLUSA prepares quarterly and annual performance reports that are submitted to USAID/Zambia. Prior to the start of every new activity year, the project staff submits an annual workplan. CLUSA also have a length of project monitoring plan in place.

Two internal assessments of the rural group business program were undertaken in 1999. The first assessment focused on CLUSA/RGBP technology dissemination

activities. It was undertaken in May – June and is entitled “Less Hunger, More Money, CLUSA: Making a Difference in Zambia.” The second assessment was an internal CLUSA assessment and was entitled “Internal Assessment of the Zambia Rural Group Business Program (RGBP).” It was undertaken in July – August, 1999. CLUSA/RGBP, CARE/LFSP and ADMADE impact monitoring system were described in a document entitled “A Profile of Community Based Monitoring Systems of Three Rural Development Projects in Zambia” in November, 1998. In addition, the CLUSA program coordinator has made two written presentations, in Nairobi and Washington respectively, of the program. These and other related reports will be made available to the selected contractor at the start of contract implementation.

## **4.2 CARE LIVINGSTONE FOOD SECURITY PROGRAM MID-TERM EVALUATION**

### **4.2.1 Background**

CARE Livingstone Food Security Project (CARE/LFSP) started as the South West Drought Relief program in October 1994, and obtained USAID funding in July 1996 to address fundamental causes of food insecurity in Kalomo, Livingstone, and Kazungula districts of Southern Province. LFSP is a five year \$3.6 million project. Four mutually re-enforcing objectives were established:

- Community and institution capacity building;
- Improved and sustainable farming systems;
- Water harvesting and utilization;
- Increased incomes and income-earning opportunities.

Under Community and Institution Capacity Building CARE/LFSP was to assist 18,000 farmers organized into village management committees within three years. For the development of improved and sustainable farming systems CARE/LFSP would introduce and facilitate distribution of a diverse range of drought tolerant seed to improve productivity and raise participating farmer incomes. CARE/LFSP would also assist rural families by introducing soil moisture conservation and management practices and techniques to increase soil fertilizer and water harvesting. Finally, CARE/LFSP planed on increasing the incomes and income earning opportunities of participating families through expansion of trading and marketing.

### **4.2.2 Evaluation Objectives**

The primary CARE/LFSP evaluation objective is to determine whether USAID investments are achieving their desired impact, why or why not. A second objective is to generate ideas on how the impact of USAID investments in CARE/LFSP activities can be improved. A final objective is to generate ideas on how CARE/LFSP experiences can influence ongoing or future USAID and other institution investments in increasing rural incomes, improving food security or managing natural resources.

### 4.2.3 Evaluation Questions

1. What are the results identified in the Cooperative Agreement? Who are the beneficiaries? Has CARE/LFSP made progress in achieving those results? Why or why not? Present your findings on an annual and overall basis. Has the program been successful in making significant contributions to USAID/Zambia's SO 1 in line with the results framework?
2. How is the project organized and implemented? What are the most important components of project implementation? How was the project's location identified? How much cooperative agreement financing is expended in Zambia (actual and percentage figures)? What percentage is expended in Lusaka and what percentage is expended in rural areas where CARE/LFSP works?
3. Is the project demand driven? Do beneficiaries find it relevant to their circumstances? How does the project identify what the beneficiaries want? Is this approach effective in identifying what the beneficiaries want? How effectively do the beneficiaries participate in project implementation?
4. What specific services does the project deliver to rural families? How are these services identified? How are they delivered? Are these services delivered cost-effectively? Are the services relevant to rural families? Could other institutions deliver these services if CARE/LFSP did not? In terms of incentives, finance, personnel resources and other variables what would other institutions need to deliver similar services? Has CARE worked with local institutions to foster continuation and sustainability of programs and services when the project ends?
5. What partnerships with public or private sector institutions has the project created to enhance the delivery of services to rural families? What additional partnerships might enhance service delivery?
6. Is there significant participation by women in the project? Is the program beneficial to women participants? Why? How can more women participate in and benefit from the project?
7. What are the social and economic characteristics and organization of project supported village management and area management committees? What are their relative strengths and weaknesses with regard to capacity building, income and investment management, linkages with agribusiness, knowledge and utilization of agricultural technologies, and skill levels to undertake additional welfare enhancing activities? What additional skills may be required to make these institutions more effective and self-reliant especially beyond USAID assistance?
8. Are there any significant policy constraints to program implementation? Is the program supportive of stated Zambian government policy of agricultural liberalization and establishment of a private sector led economy? Has the project been influenced

by government policy? Why or why not? Has the project influenced government policy? How?

9. What lessons learned during CARE/LFSP implementation could lead to improved CARE/LFSP impact? What lessons learned should inform decisions on potential extensions to the project time frame? potential increases in project financing? What are the advantages and disadvantages, particularly to beneficiaries and USAID, of extending, expanding or cutting short the CARE/LFSP Cooperative Agreement?

10. What lessons learned from the CARE/LFSP implementation could lead to improved future USAID investments in food security, rural incomes and natural resource conservation?

11. How can USAID/Zambia best utilize the lessons learned to inform Zambian food security, agricultural extension and natural resource management policy dialogue?

#### **4.2.4 Performance Reports and Previous Project Assessment**

As required in the Cooperative Agreement, CARE prepares quarterly and annual performance reports that are submitted to USAID/Zambia. Prior to the start of every new activity year, the project staff submits an annual workplan. A monitoring and evaluation plan for the entire cooperative agreement time period is in place.

“End of Phase I Report” was produced in June 1996. A “Marketing Consultancy,” which came out more like a project evaluation, was completed by the Participatory Assessment Group in November, 1997. A “Seed Scheme Assessment: (1994-1998)” was completed by CARE’s Monitoring, Evaluation and Research Unit in November, 1998. A “Marketing Study” for CARE/LSP was carried out in December 1998. A USAID intern wrote “A Review of Monitoring in the Livingstone Food Security Project: Trip Report” in September, 1998. CLUSA/RGBP, CARE/LFSP and ADMADE impact monitoring systems were described in a document entitled “A Profile of Community Based Monitoring Systems of Three Rural Development Projects in Zambia” in November, 1998. CARE/LFSP conducted an internal mid term review titled “Work Ends, Knowledge Endures: Lessons for the Process for Extension, Expansion and Replication” in June – July 1999. The reports will be made available to the selected contractor at the start of contract implementation.

### **4.3 ADMADE END OF PROJECT EVALUATION, SCOPE OF WORK**

#### **4.3.1 Background**

With Regional Natural Resources Management Project (RNRMP) financing ADMADE was initiated in August 1989 as a community-based wildlife conservation program in 9 of Zambia’s 34 Game Management Areas (GMAs). A total of \$4.8 million has been invested in the project. It ended on December 31, 1999.



The Project Paper Supplement laid out the following project purposes:

- To increase involvement of local communities and private interests in sustainable management and use of wildlife resources;
- To test the viability and replicability of community based natural resources management and use, and integrate programs into existing NPWS services; and,
- To demonstrate the effectiveness and legitimacy of community capacity building in wildlife management as a profitable and sustainable land use option in GMAs.

Over the years, the program evolved to include various community development activities as well as diversification of income opportunities. In addition to USAID regional and bilateral Missions, institutions involved in the management of the RNRMP/ADMADE program were the Ministry of Tourism (policy direction) the former Department of National Parks and Wildlife Services - NPWS (now the Zambia Wildlife Authority (ZAWA)) and within NPWS the Wildlife Conservation Revolving Fund (WCRF). The Nayamaluma Institute provided research and training services for Community Based Resource Management.

The Project Paper Supplement identifies program outputs as follows:

- Improvement of Ministry of Tourism policies related to private sector efforts in conservation and tourism;
- Improvements to the operations of the Wildlife Conservation Revolving Fund;
- Assistance to land use planning; and,
- Training in managing wildlife resources.

Between 1989 and 1994 USAID provided NPWS with training, commodities and technical assistance in establishing the ADMADE program. Between July 1994 and December 1995 under a Cooperative Agreement, WWF Inc. provided NPWS with technical assistance in the implementation of the ADMADE program (legislative reform, participatory GMA planning and improvements to information systems). Between July 1996 and July 1998 USAID provided ADMADE financing directly to the National Parks and Wildlife Service through Project Implementation Letters. Between October 1998 and December 1999, under a Cooperative Agreement, WCS provided technical assistance to document and disseminate ADMADE lessons learned and impact.

#### 4.3.2 Evaluation Objectives

The primary RNRMP/ADMADE evaluation objective is to determine whether USAID investments achieved their desired impact, why or why not. A second objective is to generate ideas on how the impact of USAID investments in community wildlife management might have been improved. A final objective is to generate ideas on how RMRMP/ADMADE experiences can influence ongoing or future USAID and

other institution investments in natural resources conservation, increasing rural incomes or improving food security

The selected consultant will do a brief synopsis of the findings of evaluation and other documents between 1989 and 1995, and carry out an evaluation of the project's performance with reference to original project objectives and USAID's strategic objectives between 1996 and 1999. This approach is intended to make the evaluation more manageable and less reliant on interviewee recall for the years before 1996.

#### 4.3.3 Evaluation Questions

##### 1. What are the results identified in the project paper supplement and the WCS

cooperative agreement? Who are the beneficiaries? Were program goals, objectives, outputs and beneficiaries clearly identified and understood by the implementing agencies? Have ADMADE activities achieved those results? Why or why not?

2. Summarize the major findings of the various evaluations carried over the life of the RNRMP/ADMADE project? What did the evaluations say about ADMADE's ability to mobilize community contributions to wildlife management? What did they say about ADMADE's ability to influence national policy? about ADMADE's ability to deliver tangible economic or social benefits to rural communities? about ADMADE's ability to conserve wildlife and discourage illegal hunting? What did previous evaluations say about the role of the Nyamaluma Training and Research Center in ADMADE implementation?

3. How did the program management and institutional arrangements evolve over its life span? Did this evolution have any positive or negative impact on the achievement of RNRMP and ADMADE objectives? Focus this discussion on USAID and GRZ project management and institutional arrangements as well as institutional arrangements in the project areas.

4. Beginning the analysis in 1996, how was the project organized and implemented? Was implementation effective? Did implementation focus resources on the most important wildlife conservation and community development problems and opportunities? What was the role of the Wildlife Conservation Revolving Fund in ADMADE implementation? What was the role of the Nyamaluma Training and Research Center?

5. Describe ADMADE relationships with the Ministry of Tourism, other public institutions nationally and in the project area (relevant to project objectives), local or "traditional" institutions (such as Chiefs and village headmen), private sector operators and Game Management Area communities. Did these relationships contribute to achievement of project or cooperative agreement objectives? Why or why not? How effectively has the project collaborated with private interests in tourism (GMA communities, tour operators, professional hunters, lodge or safari

camp owners)? Has ADMADE worked with local institutions to foster continuation and sustainability of programs and services after the project ends? Has this been successful in developing the capacity for local institutions to provide ADMADE services now that USAID financing has ended?

6. Describe the nature and organization of community based institutions supported by the project. How participatory are these institutions in terms of wildlife management and investment decision making? Was there significant participation by women in the program? Was the program beneficial to women? Why? How can more women participate in and benefit in community wildlife management? What are the relative strengths and weaknesses of women and men with regard to wildlife management, revenue sharing and revenue reinvestment, and linkages with tour operators and professional hunters?

7. What is the overall program impact on wildlife populations, household incomes, rural family quality of life, community capacity building, and land use planning? Please quantify and present graphically, on an aggregated and per capita basis, investments in Game Management Areas (emanating from safari hunting, donors, private investors, USAID, etc.) attributable to ADMADE and wildlife conservation.

8. What income earning opportunities have community groups pursued? What specific aspects of those activities make them attractive? What potential income earning activities were not pursued by communities? Why not?

9. What has been the progress against each of the four program objectives? What factors influenced results achievement? For which program objectives has progress been more difficult? Why? What have been the major constraints to the achievement of the program objectives and outputs? What have been the major factors contributing to achievements?

10. What government policies or orientations have facilitated or hindered the achievement of the program objectives? Has RNRMP/ADMADE influenced national natural resources management policy? Why or why not? Has this influence been important?

11. With regard to recent ADMADE food security initiatives, are there lessons GMA communities can beneficially learn from CARE and CLUSA in the areas of seed multiplication and distribution, income generation, business skills training, linkages with agribusiness? Are CARE and CLUSA like activities appropriate for natural resource conservation in GMAs? Do CARE and CLUSA offer approaches relevant to Community Resource Board needs?

12. Has the program been successful in making significant contributions to USAID/Zambia's SO 1 in line with the results framework?

13. What lessons learned from RNRMP/ADMADE implementation and evaluation are important for future USAID investments in food security, rural incomes and natural resource conservation? What lessons learned can inform future donor, GRZ and private sector investments in community wildlife management?

#### **4.3.4 Performance Reports and Previous Project Assessments**

Important and relevant reports include “The Reorganization and Restructuring of the Department of National Parks and Wildlife Services (1992), “Report on Financial Management of the Wildlife Conservation Revolving Fund” (1993), “NRMP – Zambia Component of the Southern Africa Regional Project, A Success in the Making” (1995) (which resulted in a Project Paper Supplement), “A Report to USAID and Ministry of Tourism’s Department of National Parks and Wildlife Services on a Suitable Community Based Wildlife Management Mechanism” (1995), “Report of the WCRF Financial Management Capacity” (1998), “An Evaluation of the ADMADE Program: With Special Reference to the Strengthening Phase” (1998), “Final Report: Assessment of Community Based Natural Resource Management in Southern Africa (August 1998), “A Profile of Community Based Monitoring Systems of Three Rural Development Projects in Zambia” (November, 1998). Between October 1998 and December 1999, several special studies papers were produced to document the ADMADE process and results. The selected consultant will have access to these reports.

#### **Article 5. Level of Effort, Team Composition and Timing, Logistical Support**

It is anticipated that the three person consultancy will be for 5 work weeks in April – May 2000, with an additional and concurrent one person, two work week effort by an evaluation packaging/desktop publishing expert at the end of the consultancy.

USAID/Zambia will use a fixed fee performance based contract as an instrument for conducting this evaluation. Accordingly, although USAID/Zambia suggests that the team be composed of an agricultural/agribusiness, food security/community organization, natural resources/wildlife conservation specialists, with local participation for additional Zambian specific expertise, and a two work week contribution by an evaluation packaging/desktop publishing expert, it is incumbent upon the contractor to determine the number of persons as well as their expertise for USAID/Zambia’s consideration. It is essential that at least one of the core team members has proven USAID project evaluation experience. With regard to Zambian experts included in the team, contractors need to take due regard of prevailing USAID local employment compensation levels.

**5.1 Duty Post:** The contractor shall perform all the work under this activity in Zambia.

**5.2 Logistical Support:** The contractor is responsible for providing in-country transportation and secretarial support while in Lusaka. The consultant will also make

own field trip travel arrangements. USAID/Zambia or local partners may be consulted on logistics of sourcing field transport. **It must be noted that USAID/Zambia will not be able to provide any office space for this consultancy.**

**5.3 Work Week:** A 6-day workweek is authorized.

## **Article 6. Reporting Requirements / Deliverables**

### **6.1 Commencement**

During the first week of the team's presence in Zambia, the consultant's will meet with the SO1 team leader and his staff to answer questions, clarify tasks, obtain relevant contacts, obtain documents and establish an implementation plan

### **6.2 Draft Report**

After twenty (20) working days of contract implementation, the team will submit a draft summary report to USAID (5 copies of each project). The draft report will summarize major findings and recommendations. Three working days after this submission, the team will make a presentation to USAID, the government of Zambia and other select partners. The presentations will briefly describe the methodology and summarize the preliminary findings, conclusions and recommendations of the evaluations. The team will take note of the oral questions and comments from meeting participants. The team will then have 7 working days to finalize the report.

### **6.3 Final Report**

After thirty (30) working days of contract implementation, the consultant shall deliver the final report to USAID. The final report shall address all comments from the review meeting in 6.2 above. Ten (10) hard copies of the evaluation report of each program and an electronic copy in Word 97 must be submitted.

The final project evaluation reports shall be concisely written and include an Attractive Cover Page, Table of Contents, Executive Summary, List of Acronyms, the Main Report in compliance with the Scope of Work, a Statement of Conclusions and a Statement of Recommendations. The body of each of the reports must describe the relevant country context in which the project was developed and carried out, and provide the information on which conclusions and recommendations are based. The reports must present quantitative evidence of project impact whenever possible using graphs and tables. Sidebars of success stories are also requested, where appropriate. The reports must include attractive photographs of project activities either taken by evaluation team staff or obtained from USAID/Zambia. The final report must be as user friendly as possible. Depending on the findings, the reports may provide the basis for substantial future dialogue with private and public sector investors.

The three final evaluation reports will also have annexes that include current status project inputs and outputs if these are not readily indicated in the body of the report.

Other required annexes to the reports are: technical and management issues raised during assessment requiring elaboration, the project evaluation scope of work, a description of the methodology used in assessment, bibliography of documents reviewed and a list of agencies contacted, individuals interviewed and other relevant information.

In addition to the three final project evaluation reports, ten (10) copies of a stand-alone report synthesizing CLUSA, CARE, and RNRMP/ADMADE lessons learned that have applicability to food security, rural income and community natural resource conservation is also required. This report will include an appropriate introduction describing the document's contents, a main body laying out lessons learned from the three project interventions that have relevance to ongoing or future food security, rural income or natural resource conservation activities, and a concluding chapter containing recommendations on how lessons learned can be disseminated to

beneficially influence future investments. Again, the attractiveness and user friendliness of this report is key.

### **Article 7. Relationships and Responsibilities**

The Contractor shall perform the tasks described above under the general guidance of David Soroko, SO1 Team Leader. The consultancy team will work closely with USAID activity managers.